

← WEEK
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BUSINESS WEEK

WAR PUSHES FARM INCOME TO ANOTHER PEAK



NESS

5 New Reports

THE GEORGE S. MAY BUSINESS FOUNDATION ANNOUNCES THE RELEASE OF ITS FIFTH SERIES ON THE FUNDAMENTAL PROBLEMS OF MANAGEMENT

No. 120 A STUDY OF THE PERSISTENCE
FACTOR IN ADVERTISING

No. 121 A SURVEY OF CURRENT TRAIN-
ING EFFORT FOR DEFENSE JOBS

No. 122 SOME SUGGESTIONS FOR TURN-
ING WASTES INTO PROFITS

No. 123 HOW TO INTRODUCE INCENTIVE
RATES

No. 124 GEORGE S. MAY APPLIES BUSI-
NESS PRINCIPLES TO GOLF

A reprint from the Chicago Daily News of
the amazing success story of the \$11,000
Tam O'Shanter Open Golf Tournament.

ONLY subjects covered in our fifth group of reports are listed above. If your business is not specifically dealt with in these studies, you may nevertheless find many ideas applicable to it. You are invited to send for as many of these reports as you desire without charge or obligation to you. Also available is our catalog of previously published reports covering a wide variety of subjects of interest to business executives.

THE GEORGE S. MAY BUSINESS FOUNDATION
*is a non-profit organization dedicated to the service of
business management. Its function is the scientific study of
the problems now confronting management and the circula-
tion of the facts which this study reveals.*



THE GEORGE S. MAY BUSINESS FOUNDATION

CHICAGO
May Building
2600 North Shore Avenue

NEW YORK
Chanin Building
122 East 42nd Street



Birth of a Battleship

A typical example of B. F. Goodrich leadership in truck tires

ON THE world's largest Iron Range, the Mesabi of Minnesota, pictured here, they're mining ore 24 hours a day. And it's here that battleships are born—and tanks and trucks and planes and machine tools.

They're moving ore faster than it's ever been moved before. And they're depending on rubber to haul it off—tons and tons at a crack. On special tires designed by B. F. Goodrich engineers to stand up under punishment you'd never believe rubber could take, giant earth-moving vehicles wheel mountainous loads over any kind of surface—even jagged rocks.

You may have no need for "earth movers. But the development of these special "tough job" truck tires is typical of the research constantly in

progress at B. F. Goodrich to provide a better truck tire for every purpose.

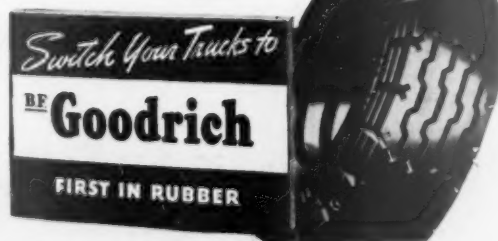
Take the new Speedliner Silvertown. In developing this truck tire, B. F. Goodrich engineers tossed away all old ideas of how a truck tire should be built—started right from scratch. As a result the Speedliner was designed on a new principle.

For example, in this new type truck tire you get a thicker, heavier, deeper-cut, flatter tread. There's a tremendous volume of extra rubber scientifically distributed to give you the most in extra mileage.

And both tread and body are fortified with Duramin, the amazing

B. F. Goodrich chemical discovery that keeps rubber young, prolongs tire life.

Actual mileage comparisons by truck owners prove this new Speedliner is delivering 25% more mileage than even our own great Silvertown of last year! Get the whole money-saving story! See your B. F. Goodrich Dealer or Goodrich Silvertown Store.





So great is the number of types and grades of Republic Mechanical Rubber Products that it is almost an impossibility for any one industry to be familiar, through actual experience, with all of them. Yet, it is the usual case to find a general acceptance of the complete line in plants employing only one or two types of Republic Belting or Hose. Such widely-known, record performers as Challenger Transmission Belting, Tower Pneumatic Hose and Super Excelo Conveyor Belting have established enviable reputations. As products of the same factory standards, less extensively used Republic items are accepted as "chips off the old block" . . . **REPUBLIC RUBBER DIVISION OF LEE RUBBER AND TIRE CORP., YOUNGSTOWN, OHIO.**

**ORDER
REPUBLIC
RUBBER
PRODUCTS
FROM YOUR
DISTRIBUTOR**

REPUBLIC RUBBER



LEADERSHIP IN POLY-
PRODUCT AND PERFORMANCE

HOSE • BELTING • PACKING • MOLDED PRODUCTS

BUSINESS WEEK

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A McGRAW-HILL PUBLICATION

Business Week • November 8, 1941



There's something about a TRAIN . . .

FROM shop foreman to bank president, from farmer to traffic cop, all America gets a kick out of a train. For the trains ARE America: its power, its progress, its spirit of teamwork. Nowhere is this teamwork better shown than in the relationship of the railroads and General American Transportation Corporation.

The big GATX Fleet supplies *special* cars—refrigerator, tank, milk, stock and refrigerator express—for special commodities. It is uneconomical for any railroad to maintain more special cars than are needed for day in, day out service. For extra cars, railroads turn to the fleet of over 55,000 cars designed, built and operated by General American Transportation.

These cars, being routed first to one railroad and then another, are kept busy throughout the year. They are efficiently serviced by the many GATX

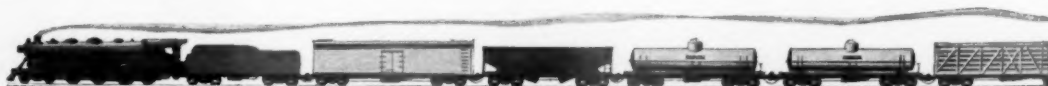
The RAILROADS—Defense Asset No. 1

Today as in the past, America knows it can depend on its railroads for swift, economical, weatherproof transportation. We are proud of our 40 year co-partnership with this indispensable steel network that forms the backbone of the National Defense Program.



repair shops. Strategically located all over the country, these shops cut maintenance delays and assure quick availability of special cars.

Thus General American Transportation's private car operation means substantial savings and better service for railroads and shippers.



GENERAL AMERICAN TRANSPORTATION CORPORATION

135 SOUTH LASALLE STREET, CHICAGO, ILLINOIS

"Get me an Eye Doctor!"
YELLED MY BOSS...

OLD TOWN
takes the CURL
out of CARBON.

"I'm going blind trying to read these smeary carbon copies!"

"If you allow me to switch to OLD TOWN'S Curlproof DAWN Carbon Paper," I said, "I promise to produce beautifully clean copies that are easy on your eyes!"

P.S. It worked like a charm.

Secretaries appreciate DAWN Carbon because it stays flat even in bitter cold. Executives appreciate DAWN because it produces brilliantly sharp copies. Get a box today. It costs no more than ordinary carbon. Write for free copy of our booklet "The Secret of Beautiful Letters".

OLD TOWN Ribbons & Carbons
"MAKE A GOOD IMPRESSION"

750 PACIFIC STREET, BROOKLYN, N. Y.

The manufacturer of this leading dairy bactericide is a client of
GEARE-MARSTON, Inc.
ADVERTISING
Philadelphia • New York

WORRIED
BY HIGH BACTERIA COUNT?

SANITIZE MILK EQUIPMENT WITH
B-K BACTERICIDE

WRITE FOR FREE SAMPLE

General Laboratories Div.,
Pennsylvania Salt Mfg. Co., Dept. PP
Widener Bldg., Phila., Pa.

Gentlemen:
Send me FREE sample bottle of B-K Powder, germ-killing agent for sanitizing milk equipment.

NAME _____
ADDRESS _____

BUSINESS WEEK

and the ANNALIST

Nov. 8, 1941

THE COVER

The stalks of ripe grain, bending under their own weight, which form the background of this week's cover picture, are symbolic. But that bright red line cutting across them isn't symbolic at all. It shows that, in spite of shortages of equipment and hired hands, wartime again means record farm production, record prices, and money in the farmer's jeans—page 26. But note well one big difference between the 1918 and the 1941 farm boom. This time there is to be no new plowing of the plains.

TOBACCO ON TRIAL

Wherever business men and advertising executives have gathered in the past few months, the talk has swung around, sooner or later, to the tobacco trial in Lexington, Ky., where the Department of Justice has been trying to convict the "Big Three" of price-fixing and monopoly. Business has feared that Thurman Arnold wanted to wangle an outright indictment of (1) advertising, (2) bigness. Now the jury has found the tobacco companies guilty on all counts—but the verdict shows that neither advertising nor bigness, per se, was condemned—page 17.

DOLING OUT THE JUICE

If the rains come, it will suit the Office of Production Management just fine, for it will mean water behind the dams to supply needed power for vital defense industries of the drought-stricken southeastern states. Chances are that the rains will not fail, but the OPM isn't taking any chances. That's why compulsory rationing—page 16—is scheduled to deprive 2,000 industrial firms of 30% of their electric power while cutting 1,000 smaller companies by 5%.

LABOR'S DAY IN COURT

In the past few months, the attention of business executives and labor leaders has been glued to defense strike headlines. They would do well to spare a little for the current session of the United States Supreme Court. With eight labor relations cases, involving seven points of law, on the docket, some vital issues are at stake—page 54.

SPREADING OUT

With Washington leveling its sights at a three-year war production program, defense orders are spreading out, and the defense organization is following them. There will be more regional and local offices to take care of subcontracts, priorities, general information. What field offices are now in operation, what will be added, how they help—page 24.

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WASHINGTON BULLETIN

FOR BUSINESS BY BUSINESS WEEK'S WASHINGTON BUREAU

Allocation Limit

Don't be alarmed by loose talk of an all-out program of allocating every last pound of raw material for a specified use. None is in sight and you'll probably never see the day when total supply and demand are 100% regimented.

What's going out is a system of running priorities by relying wholly on the application of preference ratings to individual orders until, in some cases, the demand given a preferred status totals larger than the supply of material that's to be kept under control. What's coming in is a scheme to rationalize this system by reserving specified quantities of the available material for allocation to measurable categories of use fixed by the defense program and other emergency needs recognized by the High Command.

Steel, for Instance

Note that this week OPM is working on an Army and Navy request to figure out a broad allocation system for steel. Mindful of the wide demand for this metal, it is moving cautiously. Until the experimental stage has been passed, it will operate on a case-by-case basis and preference ratings won't be cast aside for a long time, if ever. Drawing a line for defense needs won't be hard, but breaking down residual categories is a complex, controversial problem.

Emergency Pools

This move has overtaken the plan of OPM's Iron and Steel Branch to create a civilian emergency pool of steel for relieving the effect of shortages on small business, on one-industry towns dependent on steel for civilian use, and on labor groups that lose jobs when there's no steel business as usual. However, this plan will probably have a place in the new allocation scheme. Pools for taking care of such emergency situations now operate in zinc, copper, tungsten, pig iron, and several other commodities, producers of which are obliged to set aside a certain emergency percentage of monthly output before filling defense orders according to preference ratings.

Preferred Industries

OPM will also seek to dovetail into its system the industry-allocation scheme by which it is now trying to decide how much farm machinery the country needs and then allocate to the farm machinery industry the material required to make

that much equipment. Incidentally, while this particular industry is easily handled so far as steel is concerned, OPM is having a tough job with other farm machinery allocations—on anti-mony, for instance, which is consumed way down the subcontracting line. While wrestling with such jobs, it has extended to Nov. 30 the farm machinery rating plan which was to expire Oct. 31. This assigned a B-1 rating to deliveries of materials to the manufacturers.

• **Planes Are "Special"**—Also in the works is a scheme for allocating the steel requirements of the aircraft industry. Plane makers are submitting estimates of their 1942 requirements so that OPM can pool the schedules and parcel out the work among steel mills.

Freezing below '40

Unnoticed, behind the counter, OPM has frozen production of non-defense industries at levels below 1940 wherever operating supplies govern volume of their output. The instrument is the amended P-22 priority order providing an automatic A-10 rating for operating supplies and maintenance and repair materials.

Widely heralded as a boon to manufacturing, warehousing, and wholesaling plants, the order provides that no plant can get more material or supplies during any three-month period than 25% of the dollar volume used in 1940. This restriction applies to materials or supplies, whether or not they are bought under the A-10 rating. In special cases, Director of Priorities Nelson may issue specific permission to exceed the 1940 rate.

• **Dollar Yardstick**—Coal, for example, is an operating supply. Any plant whose production rate is tied to the availability of coal is limited to using the amount of coal that can be bought with the money spent for coal in 1940. Since coal prices have gone up, this means less coal for the 1940 money, thus less production now.

Solace for Advertisers

Advertisers who fear that price-control legislation (page 14) can and will be used to curtail advertising gained some solace from the House Banking and Currency Committee's action in amending the section of the bill which would have empowered the President to "regulate or prohibit . . . selling and marketing practices."

This language was scrapped and a proviso added preventing interference

with established business practices, unless such practices are used to circumvent any price ceiling set. An amendment to this effect was proposed by the American Association of Advertising Agencies.

Sales Restraint

There's talk in OPM of discouraging sales promotion of merchandise using critical materials in their manufacture. No hard and fast policy has been laid down to date, but it's obvious that defense officials will welcome cooperation along this line.

Talk of soft-pedaling has referred mostly to durable consumer goods in which production has been curtailed and in particular to electrical appliances in the Southeast, where power shortage furnishes an immediate reason for not pushing sales.

• **Hark**—From Leon Henderson's bailiwick comes the word that advertising will go on just about as usual. So many inquiries have been received from agencies, media, and other sources by the Price Administrator that he expects to make a formal statement of his views on advertising Nov. 13 at the A.A.A.A. convention at Virginia Hot Springs.

Rosenman on Labor

President Roosevelt is reported to have turned to his No. 1 troubleshooter, Judge Samuel Rosenman, for advice on formulation of a defense labor policy. The New York jurist will make a study of the government's labor agencies after he has completed his survey of housing agencies. Rated as a distinct possibility is Rosenman's resignation from his New York judgeship to accept appointment in federal service, most likely as a personal assistant to F.D.R.

Close associates of the jurist say that he has offered several times to resign from the bench to work with the President. Roosevelt, however, is said to have urged him to retain his judgeship and perform special jobs for him.

Short Shift for Rail Labor

President Roosevelt's "fact finding board," created to make recommendations for the adjustment of the wage dispute between the railroads and the railway labor unions (BW—Oct. 25 '41, p26) issued its report this week, and the carriers will put an additional \$270,000,000 a year into payrolls because of it. Actually, however, this was surprisingly good news to the carriers. The

unions had demanded a 30% wage increase and had voted a strike to secure it. The roads, mindful of the pattern of former wage disputes, were expecting the board to "split the difference" and award the unions a 15% boost. The board's award actually amounts to a 7½% increase for operating personnel and a 13½% boost for non-operating labor. Disappointed by the outcome, the unions are expected to do a lot of grumbling and even threaten to strike as soon as the 30-day waiting period, required by the law governing the rail mediation machinery, but no one is taking seriously the prospect of 1,135,000 railroad employees engaging in a work stoppage.

Tank Arsenals

The approach to the expanded tank program is becoming visible. Completion of financing arrangements for a \$25,000,000 General Motors tank arsenal at Flint was announced this week, together with the release of a letter of intent to Ford covering what may eventually be a \$39,000,000 project. Not yet at the stage of official announcement is a plan for doubling the existing Chrysler arsenal.

With the benefit of Chrysler's experience and higher priorities now available for tanks, initial production from the new facilities is expected about next July and substantial output in the fall of 1942.

Probable Production

Expected tank production over the next year stacks up as follows: Last month's production totaled some 700 units—400 of the 13-ton light tanks and 300 of the 30-ton mediums. By the end of the year, this is expected to rise to 1,200—500 light and 700 medium. By next mid-year production is expected to reach about 2,000, of which 1,200 will be mediums.

Thereafter rapid expansion probably will bring production in late fall to about 3,500—split perhaps 2,500 and 1,000. There will be some slight production of heavy tanks in the 60-ton range but operations will be concentrated on mediums rather than light or heavy tanks.

Simplification Programs

A sudden flurry of activity by OPM's Bureau of Industrial Conservation bloomed this week in a call by Lessing J. Rosenwald, chief of the bureau, to all industries to draft simplification programs to reduce the variety of items manufactured for stock purposes. Industries should not apply such programs until approved by Rosenwald's bureau.

From then on, however, manufacture will be confined to the simplified line,

comprised of the varieties of a product which represent the bulk of the business. Where commodity sections have been set up in OPM and defense industrial advisory committees appointed, the Conservation Bureau will work through them. Otherwise, it will deal with manufacturers direct.

• **Salvage**—The Conservation Bureau also is working out plans for year-round collection from householders of waste-paper, rubber, iron and steel, nonferrous metals, and cotton and woolen rags. People may donate the junk but they won't be asked to do so and arrangements are being made for sale to dealers. The plan will be tried out shortly in Maryland (page 36). Collection of industrial waste materials also will be tried out in the near future in two "guinea pig" areas.

Broadcasters vs. FCC

As expected, the National Broadcasting Co. and the Columbia Broadcasting System last week filed injunction suits in New York seeking to restrain the Federal Communications Commission from enforcing its new "antimonopoly" rules (BW—Oct. 18'41, p38). The Mutual Broadcasting System, which has consistently cheered the FCC orders as an emancipation proclamation for the little fellow, meantime will intervene in behalf of the government.

Big headache in the FCC regulations, of course, is that they prevent a radio station from exclusively aligning itself with any one network, thus amount to a "death sentence" from the viewpoint of NBC and CBS.

• **Biggest Headache**—But the biggest headache probably isn't going to be over the enforcement of the rules—it's going to be Thurman Arnold and his antitrust division. All along, the Arnold contingent has been studying up on the conduct of the major networks, watching the testimony delivered at the innumerable FCC hearings. Now Arnold will get a chance to jump directly into the fray because it's his job to defend the FCC in the injunction proceedings.

Arnold Scores Twice

Food dealers in Massachusetts and Connecticut are the latest victims of Thurman Arnold's antitrust drive on state unfair sales practices acts—the laws (now in force in some 25 states) designed to eliminate "loss leader" selling, which have been pushed, and policed, mainly by the grocery trade. Last week, the Massachusetts Food Council—private policing body—and its members signed a consent decree—the first obtained by Arnold in the drive against loss leader laws—abolishing the council and permanently enjoining all efforts to enforce the act privately.

This week, the Connecticut Food

Council, with its officers and members, pleaded nolo contendere in a similar suit and received fines totaling \$32,500. Douglas C. MacKeachie, director of OPM's Purchases Division and formerly purchasing director for A. & P.'s New England Division, got tagged for \$1,500 of that fine. Arnold already has pulled the enforcement teeth in the Colorado act (BW—Feb. 1'41, p61) and has the California law on the griddle.

No—for Eighth Time

Despite the intervention of President Roosevelt and Secretary of the Interior Ickes, the voters of San Francisco have defeated for the eighth time the proposal to issue bonds for municipal purchase of that part of the Pacific Gas & Electric Co. system which distributes power from the city-owned Hetch Hetchy project. San Francisco officials feel that the next move is up to Mr. Ickes.

Petitions for amendment of the Raker Act, the federal law governing Hetch Hetchy (BW—Jun. 7'41, p32), already are being circulated. Undoubtedly an attempt will be made to have Congress legalize the sale of power to Pacific Gas & Electric for distribution in the city.

P. S.

The government is finding that you just can't take over a plant; you've got to take over a whole company. Firmly ensconced in the Air Associates main plant at Bendix, N. J. (page 54), the Army this week also took over branch offices of the company at Lodi and Belleville, N. J., Dallas, Tex., Marshall, Mo., and Los Angeles, Calif. . . . At the Office of Civilian Defense, the employees say that the real boss is Mrs. F.D.R., not Mayor La Guardia. . . . Because he's so loaded down with work, Vice-President Wallace is threatening to pull a Garner, eschew social engagements. He now sets aside two evenings a week for society, usually Thursdays and Sundays. . . . It's rumored that F.D.R. has offered to appoint Supreme Court Justice Frank Murphy as ambassador to Mexico. . . . Three of the four members of the Maritime Commission are reported to look sourly on the rumored appointment to the Commission of John Carmody. . . . Copper continues to come in for a lot of attention both at OPM and OPA. The former, apparently discouraged at the necessity of policing its order to ban use of copper sheet, strip, or screening in building projects, vacated the order until Jan. 1. And as part of its broad checkup on prices of copper products, OPA on Wednesday asked manufacturers of wire and cable used as electric conductor to maintain prices at the level prevailing on Oct. 15.

FIGURES OF THE WEEK

THE INDEX** (see chart below)

PRODUCTION

	\$ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
Steel Ingot Operations (% of capacity)	98.2	99.9	98.1	96.8	96.0
Automobile Production	92,879	91,855	76,820	130,610	118,092
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)	\$11,826	\$12,810	\$19,797	\$15,211	\$26,240
Electric Power Output (million kilowatt-hours)	3,339	3,299	3,290	2,915	2,882
Crude Oil (daily average, 1,000 bbls.)	4,071	4,099	3,861	3,507	3,480
Bituminous Coal (daily average, 1,000 tons)	1,802	1,825	1,825	267	1,468

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	94	94	93	85	86
All Other Carloadings (daily average, 1,000 cars)	58	59	60	35	54
Check Payments (outside N. Y. City, millions)	\$5,769	\$7,024	\$6,136	\$5,445	\$4,674
Money in Circulation (Wednesday series, millions)	\$10,307	\$10,278	\$10,183	\$9,071	\$8,265
Department Store Sales (change from same week of preceding year)	+8%	+6%	+23%	+17%	+6%
Business Failures (Dun & Bradstreet, number)	187	178	172	272	262

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931 = 100)	209.0	208.3	213.7	188.8	164.9
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	144.9	144.7	145.1	135.7	119.0
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	158.1	156.5	161.5	136.3	118.8
Iron and Steel Composite (Steel, ton)	\$38.15	\$38.15	\$38.15	\$38.15	\$38.06
Scrap Steel Composite (Iron Age, ton)	\$19.17	\$19.17	\$19.17	\$19.17	\$20.67
Copper (electrolytic, Connecticut Valley, lb.)	12.00¢	12.00¢	12.00¢	12.03¢	12.02¢
Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.12	\$1.13	\$1.15	\$0.87	\$0.81
Sugar (raw, delivered New York, lb.)	3.50¢	3.50¢	3.50¢	3.42¢	2.88¢
Cotton (middling, ten designated markets, lb.)	16.20¢	16.24¢	16.97¢	11.66¢	9.41¢
Wool Tops (New York, lb.)	\$1.285	\$1.292	\$1.309	\$1.305	\$
Rubber (ribbed smoked sheets, New York, lb.)	22.50¢	22.50¢	22.50¢	24.02¢	20.51¢

FINANCE

90 Stocks, Price Index (Standard & Poor's Corp.)	76.1	77.2	80.1	74.5	87.7
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's)	4.27%	4.28%	4.28%	4.32%	4.53%
U. S. Bond Yield (average of all issues due or callable after twelve years)	1.83%	1.87%	1.92%	1.91%	2.08%
U. S. Treasury 3-to-5-year Note Yield	0.45%	0.41%	0.38%	0.49%	0.40%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6-months, N. Y. City (prevailing rate)	1%	1%	1%	1-1/8%	1-1/8%

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks	24,258	24,382	24,277	23,712	21,858
Total Loans and Investments, reporting member banks	29,582	29,618	29,125	27,550	24,602
Commercial and Agricultural Loans, reporting member banks	6,554	6,556	6,447	5,532	4,773
Securities Loans, reporting member banks	962	968	922	910	865
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	14,648	14,653	14,301	13,927	12,001
Other Securities Held, reporting member banks	3,731	3,753	3,800	3,753	3,692
Excess Reserves, all member banks (Wednesday series)	4,600	4,660	5,190	5,771	6,930
Total Federal Reserve Credit Outstanding (Wednesday series)	2,250	2,291	2,244	2,234	2,381

*Preliminary, week ended November 1st.

**Revised series (BW-Nov.1'41,p14).

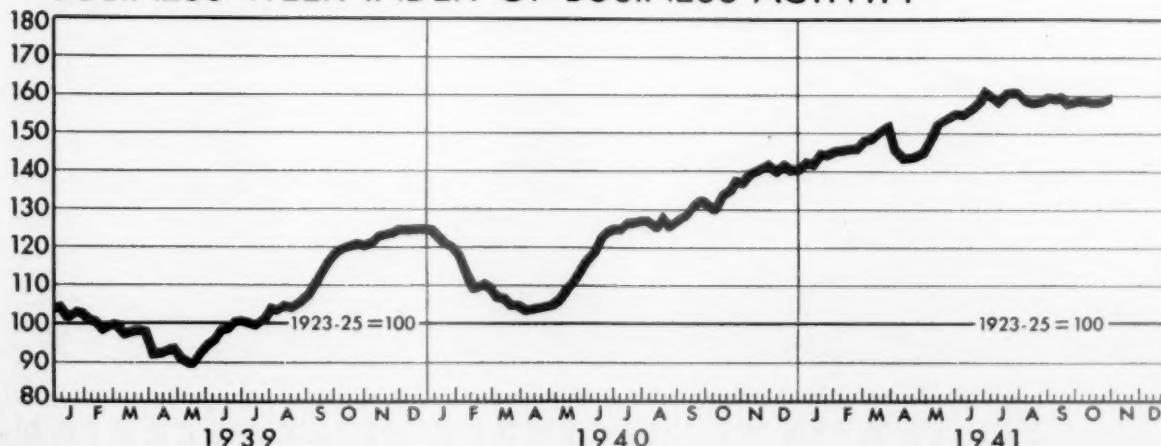
† Revised.

‡ Not available.

§ Date for "Latest Week" on each series on request.

‡ Ceiling fixed by government.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY





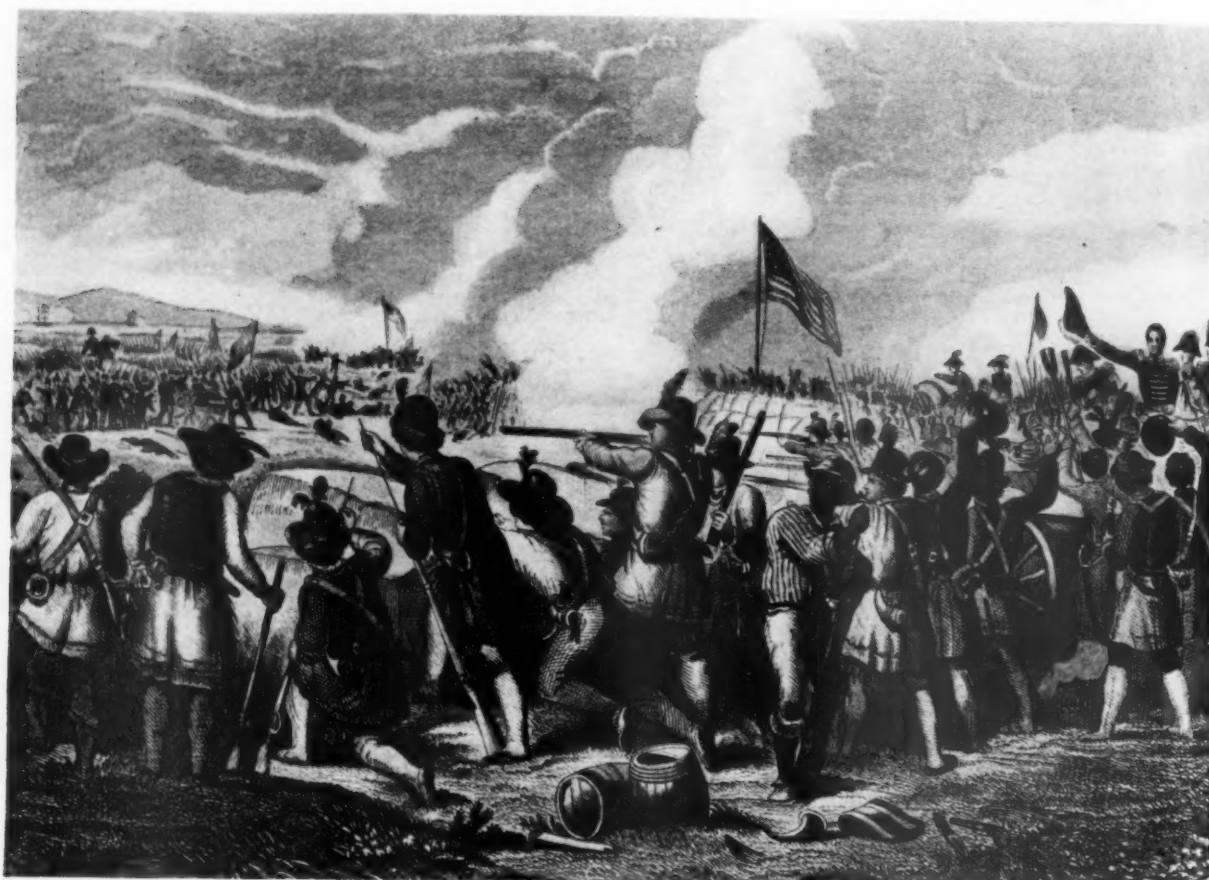
General Jackson didn't know the war was over!

Messages traveled slowly in 1815 . . . the Battle of New Orleans was fought *fifteen days after peace had been signed!* History couldn't wait for communications to catch up.

But today's communications *speed up history*. To help keep the Defense Program in high gear, teletypewritten messages criss-cross the country . . . speeding

the construction of new plants, routing materials, directing production of vital military supplies, bringing up-to-the-minute news to all America by newspaper and radio.

Developed to serve business in time of peace, the teletype is proving its worth to the *whole nation* in this present emergency.



AN OLD ENGRAVING FROM THE BOOK, "LIVES OF THE PRESIDENTS"

BELL SYSTEM TELETYPEWRITER SERVICE

THE OUTLOOK

Industry Hitched to Battlefield

Type of goods produced, and how much, now determined on firing line, as witnessed by shift of emphasis from planes to tanks. Changeover to munitions will continue at accelerating pace.

The business outlook has become the war outlook. In calling on the country's industry and workers to put in longer hours in order to "produce the munitions required to defeat Hitler," President Roosevelt made it clear this week that national defense (or "national offense," as some people are saying) has become a full-time job. From now on, military operations in Europe will have a profound influence on industrial activity in the United States. Not only will Allied victories and defeats indicate how long the war is apt to last and how necessary an American expeditionary force will become, but also they will determine how much of what type of goods America will have to produce.

From Planes to Tanks

Originally, airplanes were the chief requirements of the British forces; and American factories were called upon to turn out bombers and fighters. Today, after the German campaign in Russia, tanks have become the Need No. 1 of the Allies, and a gigantic tank program has been launched. (Yet not many months ago machine tools destined for Chrysler's tank factory were diverted under a priority order to a plane plant. Last spring the emphasis was on ships for the Battle of the Atlantic. That's how fast needs change in wartime!)

The automobile industry, already making airplanes, is now taking on tanks. General Motors is to build a \$26,000,000 plant in Flint, while Ford has received a letter of intent covering production facilities for a \$39,000,000 project in Detroit. Both companies hope to achieve capacity within a year. These undertakings will partly cushion the effect of priorities disemployment in automobile centers.

Into the Arms Orbit

Other companies, likewise, are gradually being drawn into the munitions orbit. Eaton Manufacturing Co., a leading producer of automobile parts, has accepted an army ordnance contract to manufacture 37-mm. armor-piercing shot. Borg-Warner, which normally devotes 50% of its output to auto and truck parts and another 50% to household appliances, has diverted about 50% of its capacity to direct and indirect national-defense needs.

This trend from nondefense to defense output is bound to develop with accelerating force in the next few months. Not only will companies try for arms orders because of priorities limitations on critical materials for non-defense output, but also the government—through the Division of Contract Distribution—is out to put pressure on manufacturers to produce munitions. This is just one more bit of evidence suggesting that from now on the who, what, where, and how of business will depend on the who, what, where, and how of the war. The President's exhortation to work longer hours is confirmation. Until this week, he had been careful not to mention the possibility of a longer work-week as an essential to an

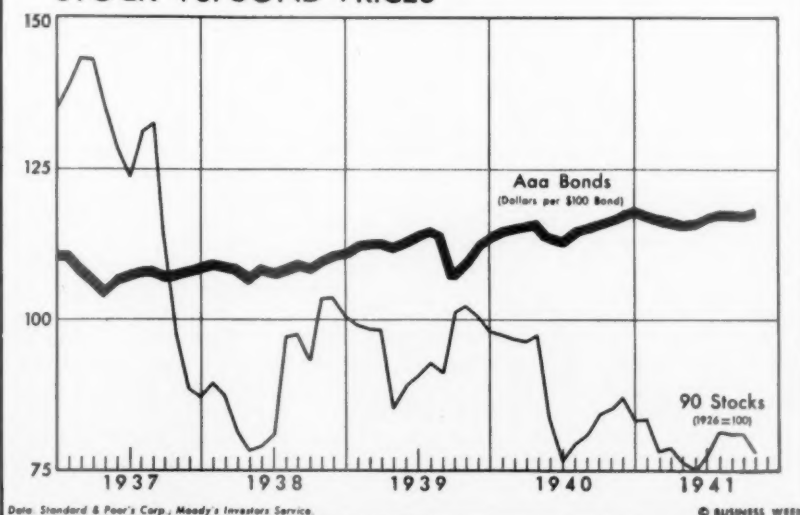
all-out war effort, lest the workers balk.

Meanwhile, the volume of industrial activity hardly changes from week to week. Steel operations recovered from last week's strike shutdowns of captive coal mines, and Business Week's Index moved up modestly to 160.3 from 159.6. Any rise in the near future, however, is likely to be limited. New arms plants are lifting employment and production, but priorities dislocations in the durable consumer-goods industries—automobiles, refrigerators, nondefense residential building—are nullifying these gains.

The Credit Picture

The increase in reserve requirements for Federal Reserve member banks went into effect this week, but no major squeeze on credit occurred. Excess reserves fell to \$3,400,000,000, as compared with about \$5,000,000,000 when the credit-control scheme was formally announced six weeks ago (BW—Sep. 27 '41, p13). The short-term government market was a bit weak, as banks became more interested in maintaining reserves than in eking out a nominal return on

IN THE OUTLOOK:
STOCK VS. BOND PRICES



This chart suggests that the securities market is divided against itself. For nearly five years, high-grade bonds have been advancing while common stocks have been in a downtrend. Generally speaking, bonds have declined on major breaks in the stock market; note specifically what happened in May and June, 1940, when France fell. A notable exception, however, occurred in 1939 just before war

broke out in Europe. Then stocks rose sharply, anticipating a spurt in business, but bonds sold off. The pile-up of funds in banks, insurance companies, and in the hands of individual investors explains the persistent rise in bond prices throughout the war period, but as yet speculators and investors aren't encouraged by long-term earnings prospects or the war outlook to go all-out in common stocks.

Treasury bills. But long-term government bonds rose to new highs. The action of the money markets hardly suggests business men will find it hard to get loans to expand operations. At \$3,000,000,000 and up, excess reserves are more than ample for commercial needs.

Price Curb Weak

Too late to stop inflation, House bill also fails to brake farm prices, but acceptance of wage restraint may fix that.

Businessmen, farmers, and labor must take their chances on the inflation sweepstakes—the game in which some people win, most people lose, and all consumers take the consequences.

The commodity price control bill which the House Banking Committee reported last week does little to alleviate the rigors of that now inevitable common experience. Even if the Administration puts up a hard fight now for a stronger measure, three months have been wasted since Roosevelt sent his message on the subject to Congress and Price Administrator Henderson submitted the first public draft of a bill Aug. 1 (BW—Aug. 9 '41, p15) and Congress now can't act in time to check measurably the rising spiral of living costs. Three months ago, price inflation had already got a head start, the cost of living having risen 3½% in the preceding quarter. Since then it has continued to jump—from 105.2 on July 15 to 108.1 on Sept. 15 (1935-39 average equals 100). In this period retail food prices advanced from 106.7 to 110.8, retail clothing prices from 104.2 to 110.8, and house furnishings from 107.2 to 112.0.

Retail price boosts to date don't fully reflect the rapid climb of wholesale prices. Although half of the latter are now regulated in some degree by the Office of Price Administration, the index of 28 "sensitive" commodities leaped from 151.5 on July 29 to 156 on Oct. 1 (Aug., 1939, equals 100).

• **Fortifying Wage Demands**—These are not just paper figures. They are ultimate out-of-pocket costs. They are figures which furnish a springboard for new wage increase demands. To fortify such demands, organized labor can point to the refusal of farm interests to submit to restraint.

In deference to the farmers' political prowess, President Roosevelt had originally conceded that ceilings on farm prices would not be fixed lower than 110% of parity—a parity which with certain exceptions recognizes that the producer of a crop is entitled to a purchasing power equal to that which it would have brought at the 1909-1914 average. But the House Banking Com-



NAVAL GUN PLANT

Although only half of the machine tools required for full production have been installed in the \$20,000,000 Naval Ordnance plant at Centerline, Mich., the plant is already turning out Oerlikon 20-mm. antiaircraft machine guns. Last week—only eight months

after ground was broken—the new plant was officially accepted by the Navy from the Hudson Motor Car Co., which has built and will operate it, as the fourth Navy gun plant. Secretary Knox (looking over one of the guns) and A. E. Barit, Hudson president (right), headed the officials on hand for an inspection trip.

mittee raised the roof on farm products, providing that prices might rise to the 1919-29 average where this is higher than 110% of parity (as it would be in most cases) or to the level of prices prevailing Oct. 1. The House Committee's bill further liberates farm prices by providing that no ceiling may be put on a processed farm commodity which would have the effect of lowering the price of the raw product.

The House Committee's bill would instruct Price Administrator Henderson to fix price ceilings on other commodities selected for control with an eye to the prices prevailing Oct. 1 instead of July 29, the date in the original bill.

• **Basis for Deal**—Bargaining tactics may yet force the farm price ceiling back to the original 110% of parity proposal. Some observers find the basis of that bargain in a few fundamental premises: Labor wants food prices to be held down as tightly as possible; farmers are worried about increased labor costs boosting the price of manufactured goods, even though raw-material costs are controlled effectively. Now, say these observers, if labor leaders could be persuaded to accept some sort of a restraint on wages—say, something as unspecific as a declaration of policy in the price bill which would support the National Defense Mediation Board in ruling against wage

increases that would upset price ceilings or established levels—why then, the farmers might be talked into accepting a straight 110% of parity.

As evidence that the Administration is thinking along lines of such a deal, these observers point to the proposal offered in committee by Chairman Steagall. The Alabama representative who not only speaks for the farmers but almost as faithfully speaks for the Administration, suggested a wage control clause, but significantly that proviso would have permitted wage boosts if they did not contribute to inflation or when they were necessary to maintain the workers' standard of living. The committee, which voted 12 to 11 to raise the farm price ceiling, voted down Steagall's proposal 16 to 7. Sweetened up a bit, however, it may make another bow under more favorable auspices—say, in a conference of farm and labor leaders solicitously sponsored by the Administration.

Considered only from the standpoint of enforcing application of ceiling prices to the raw materials of industry, the bill has been torpedoed by the House Committee by eliminating a provision permitting the President to issue licenses as a condition to the transaction of business under a price ceiling or other orders and regulations issued by the Price Ad-

ministrator. The Committee held that statutory penalties of imprisonment up to one year and fines up to \$5,000 were adequate to deal with violators. Price Administration officials contend, however, that they need a club in the closet to enforce day-in day-out compliance.

The Administration may repair part

of the damage done to the bill when it is brought up on the House floor next week, but under any circumstances it will be overhauled in the Senate Banking Committee—in which the Administration's influence is strong—in preparation for a finish fight on the Senate floor after the holidays.

interested in preserving voluntarism in industrial relations, did not disturb production men too much.

NDMB had to choose either of two approaches. It could regard the captive mine dispute as a "case," and in doing so concern itself only with the merits of Lewis's claims. It was the assumption that the board would do just that which led to widespread reports that a union victory was assured. For, by all precepts and precedents, labor unions get from the NDMB what the board thinks they would be strong enough to get by strikes, slowdowns, or the other orthodox union tactics which the President sought to eliminate during the emergency by creating the Mediation Board. Nobody doubts that Lewis and his miners are strong—strong enough to put up a powerful fight for the closed shop in captive mines.

• **For All Industry?**—But there was some doubt that the board would choose to deal with the dispute in its narrow context of coal. NDMB was created to remove impediments to national defense caused by industrial disputes. It was not set up solely to achieve continuous coal production. Conscious of this, and aware of the effect that a union-shop decision would have on all the mass production industries, NDMB was thought likely to extend its frame of reference, to make a decision not for the captive mine dispute, and not on the facts in that case alone, but for all American industry in the unlimited emergency. That alternative, of course, would mean disappointment for Lewis.

NDMB's Captive Mine Dilemma

Outcome of John Lewis's fight for closed shop turns on whether dispute is to be viewed by board as mere labor case or broad problem vital to national defense.

On Wednesday morning of this week, the National Defense Mediation Board went into executive session. Eleven men began the business of reviewing all the arguments in the dispute between John L. Lewis's United Mine Workers Union and the steel companies which operate their own coal mines. The issue they must decide: Should John L. Lewis be given a union shop in the captive mines? The board was under pressure to find an answer by Nov. 15, for on that date the period of grace, which John L. Lewis granted last week in calling off the mine strike temporarily (BW—Nov. 14, p. 15), was due to expire.

On Tuesday afternoon, the board had brought to a close the offering of testimony and opinion by a notable galaxy of industrialists and labor leaders. Active in the discussions had been such men as Irving Olds, chairman of United States Steel; Eugene Grace, president of Bethlehem; R. J. Wysor, president of Republic Steel; T. E. Millsop, president of Weirton; Frank Purnell, president of Youngstown Sheet & Tube; and others. The labor delegation had been dominated by Lewis, but surrounding him were all the top men in the Congress of Industrial Organizations.

• **Points and Precedents**—Addressing themselves to the 11-man board as though it were a court of law, the disputants marshalled points and precedents. Lewis's urgings were based on what he chose to call "the inexorable logic of our demands." He stressed the fact that the captive mines—making up about 10% of the coal industry—were the only branch of the industry which did not operate under a union shop. He offered evidence in support of his claim that an overwhelming majority of the workers in the captive mines were union members.

Opposed to this was the position of the steel industry, which stemmed from the fact—just as inexorable as Lewis's logic—that a union shop in the captive mines would give so great an impetus to similar demands in all the defense industries, starting with steel, that labor relations and production would be in turmoil. The contention of Eugene

Grace that, because the dispute did not affect wages, hours, or conditions of employment, it should be impounded in status quo for the duration of the emergency, had the support of the assembled employers. Like the miners, the steel industry has taken the position that the result of NDMB arbitration is not binding on it. Employers are free to reject the arbitration award.

• **Congress Prepared**—That the ultimate decision of NDMB would be completely rejected, however, seemed unlikely. At the first sure sign that coal production was to be again suspended, Congress was prepared—with or without White House approval—to enact some piece of legislation which would keep the mines at work.

Thus the Lewis threat to strike unless he got his way, though it alarmed OPM's Labor Division, which is in-



In the ranks of the unemployed last week, because of the miners' strike, were the mules from the National Coal Co.'s Number One mine at

Morgan, Pa. They were back in harness this week though, along with the miners, who were awaiting NDMB action on their closed-shop demand.

Rationing Power

OPM is ready for most drastic step yet in combating shortage in Southeast; 2,000 plants to get 30% cut.

In the Southeast, the odds are 3 to 1 that the heavy fall and winter rains will begin before Dec. 15. In five of the last 20 years, rains have started by mid-November; in five more by Dec. 1; in another five by Dec. 15. If the rains come soon, the rivers will fill up behind the big power dams along the Tennessee and other rivers and the shortage of electric power, vital to the production of aluminum and other defense goods concentrated in the area, will be alleviated.

The Office of Production Management isn't gambling, however. Operating on the theory that it's better to be safe than sorry, OPM was all set this week to put into effect its long-contemplated program of power rationing which will increase the amount of current available to defense industry in the drought-stricken area by one-third. Then, if the rains do come before Dec. 15, the authorities may be in a position to give a Christmas present to the 2,000 industrial firms in the area that stand to lose 30% of their power and the 1,000 smaller firms that will be cut 5% by the rationing program. These companies represent approximately 40% of the area's 250,000,000-kw.-hr. weekly consumption.

• **Measures in Effect**—This curtailment, effective Nov. 10, is the fourth step in OPM's rationing program. Other measures already in effect are:

(1) Mandatory pooling of energy, with OPM's special Atlanta power allocation office supervising the switches. In a couple or three weeks, this is expected to increase the flow of energy available for defense industries in the shortage area nearly one-third. Voluntary pooling had previously been developed to a high degree through efforts of the Federal Power Commission extending back to last spring's critical period.

(2) Blackout of signs, display, and decorative lighting—compulsory since last Monday. The darkened area covers all or part of seven states—Georgia, Alabama, Tennessee, eastern Mississippi, northwestern Florida, and the Carolinas.

(3) An area-wide campaign for voluntary reduction of kilowatt-hour consumption by every user. This is under full steam, with utility companies leading the way and the OPM Atlanta office acting as clearing house to spread one community's appeal to others. Official statements, newspaper advertisements, spot radio announcements, even compli-

ance stickers for those observing the blackout, are constantly in evidence.

• **Tough for Textiles**—Despite such measures, the power shortage is cutting about as deeply as it can without creating terrific economic losses. That's why the OPM is ready with its compulsory rationing. Textiles will be most severely restricted by the order.

Total savings from all these steps, however, will not equal the current energy consumption for aluminum production alone, now running at 43-plus million kwh. weekly just at Alcoa, Tenn. This situation, it is important to note, is neither a generating capacity shortage nor a peak-load problem. It stems from a coalition of record low rainfall



J. A. Krug, formerly chief power planning engineer of the TVA, and now chief of the power and communications branch of OPM's Division of Materials, bosses the power rationing program in the Southeast.

and insatiable war demand for aluminum.

Transportation facilities, communications, military establishments and plants working exclusively upon armaments or production of raw materials for armaments are exempt.

• **Payrolls Affected**—Not only company operations, but also payrolls will be affected because in most cases factories plan to shut down a day a week to scale down to their quotas. No estimates have been made except that the economic loss will run into a sizable figure.

OPM is administering its power rationing program from on-the-spot headquarters, with an imported staff from Washington headed by Power Coordinator J. A. Krug. The officials have done the spade work of setting up the machinery and will remain to quarterback the play, but utilities themselves are given the primary policing job.

Krug and his staff did the classifying of consumers who used more than

10,000 kwh. during the period in which their meter was read between Sept. 15 and Oct. 14—the "break point" between those to be curtailed and those not. All consumers of 10,000 kwh. monthly and over were notified by their utilities of the impending curtailment, notice of individual exemption went to the firms direct from Krug, and required a reply in the form of a formal application for exemption.

• **Rescheduling**—Utilities then have the job of re-scheduling nonexempt plant operations so that all of them don't shut down week-ends or Tuesdays, which might so reduce consumption at a given period that steam and run-of-river generators would not all be needed to carry the load. This shuffling is on a voluntary basis, but if trouble arises Krug may step in to direct both volume and the period that any plant may use its quota.

Only compulsory step toward insuring that curtailment will be spread out is that restricted consumers may only use one-fourth of their monthly quota each week.

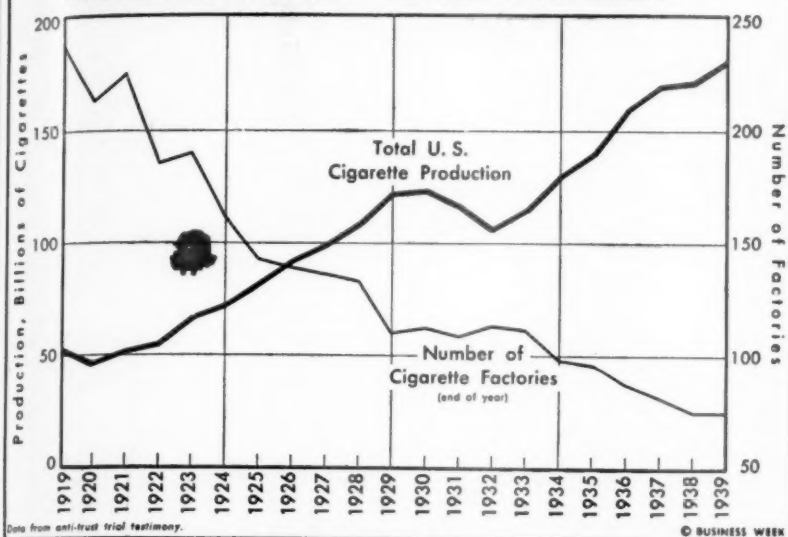
• **Joint Liability**—The utilities report to Krug any consumers violating either the weekly quota or the blackout provisions. But the OPM order imposing restrictions makes utility and consumer jointly liable—the consumer is enjoined from using energy for prohibited purposes or in excessive amounts, the utility from serving anyone who does.

Voluntary cooperation also is being utilized to the full in the pooling operations. Krug has added to his staff C. W. Mayott, veteran load dispatcher of the Connecticut Valley Power Exchange, to supervise the integration of 40 utilities in 13 states so as to get the maximum amount of energy into the TVA-Alcoa-Commonwealth & Southern region. But the detail of loading the transmission lines is being worked out largely by utilities themselves.

Job of the week for Krug and his colleagues has been interpreting the order in a hundred ways. They quickly agreed that meat packers, dairies, and bakeries were exempt. But arguments of hotels that they had no control over guests' use of electricity fell on deaf ears. Biggest fuss was kicked up over the ban on night football, but the invariable answer was, "Sorry, no exceptions."

• **In the Carolinas**—Energy deliveries into the pool from the Carolinas are the direct cause of the milder restrictions there and the principal reason why Carolina rationing is lighter is that transmission lines cannot carry any more load. This is the reason, also, why rationing is not imposed in Arkansas, Louisiana, Kentucky, and Virginia. Utilities in all of these states are feeding into the pool the maximum of transmission-line capacity without having to restrict their own operations.

MORE CIGARETTES—FEWER FACTORIES



Behind the Cigarette Verdict

Conviction of tobacco's Big Three, involving every process of the industry, expected to be model for future antitrust litigation. Price conspiracy rather than bigness at issue in case.

Down in quiet little Lexington, Ky.—capital of the U. S. burley-type tobacco growing region—the Department of Justice ten days ago won the most sweeping legal victory ever recorded under the Sherman Act.

After a local jury, tediously selected from Lexington's tobacco-conscious citizens, had absorbed 3,000,000 words of testimony and 1,275 exhibits, it huddled barely 14 hours, then announced that the American Tobacco Co., Liggett & Myers, and R. J. Reynolds (tobacco's Big Three) plus their key officers were guilty of (1) combination and conspiracy to fix prices, (2) combination and conspiracy to create a monopoly, (3) attempting to achieve a monopoly, and (4) achieving it.

Model for Future—Because neither Thurman Arnold, nor perhaps any trust-buster before him, has ever scored so many touchdowns in one legal battle, the tobacco trial undoubtedly will be the model for considerable future litigation, especially in consumer industries. The Lexington litigation started right out with the farmer, covered warehousing and auctions, progressed into manufacturing, then wholesaling, and finally retailing. Not one tobacco process from seed to smoke was left untouched.

But the real keystone in the vast arch was the fact that tobacco prices at wholesale and retail are always the same for the Big Three.

Cigarette History—For practical purposes, cigarette history started in 1913,

two years after the government had split up the old tobacco trust (formed around 1890) into American Tobacco, Liggett & Myers, R. J. Reynolds, and P. Lorillard. In that year, the pioneer cigarette move was made by Reynolds when that company brought out Camels, and introduced them into a field that was still very small, cluttered up with scores of different brands selling from 5¢ to 25¢, mainly blended from Turkish leaf, and usually advertised in a very frowsy fashion (mostly by premiums such as silk flags, pennants, rugs).

What made Camels significantly different was a four-fold, streamlined policy consisting of (1) the use of burley (Kentucky) leaf, plus flue-cured and Maryland types, in place of the old

Turkish ingredients, (2) the standardized pack of 20 units, (3) paid advertising, and (4) concentration on a single brand, instead of dissipating merchandising energies over a whole raft of products. So ragged did Reynolds' Camels run all competitors that American quickly brought out Lucky Strikes while Liggett & Myers jumped in with Chesterfields. By 1930 this trio had plugged away so hard and so consistently that total sales were around \$600,000,000 and its net profits around \$101,000,000, mostly based on the three big cigarette brands. Since then sales (chart and table on this page) and profits had continued to mount.

Conspiracy Charged—What the Department of Justice (through trial attorney Edward H. Miller) saw in all this was the hand of conspiracy. Claiming that the Big Three's executive personnel was nothing more than a continuation of the dynasty that governed the extinct tobacco trust, the D. of J. described the single-brand merchandising process as a policy of making products so indispensable that it was possible to tamper with prices, keep out competitors, and dominate the tobacco industry from farm to consumer.

There are 1,602,000 tobacco growers in the U. S. These the D. of J. depicted as being at the mercy of big tobacco firms that fix dates and places of auctions, use secret buying grades, avoid competition by not unanimously acquiring the same kind of leaf, and bid at auction in a gibberish which the farmer completely fails to understand.

Warehouseman—In the middle is the warehouseman whom the government attorneys represented as obliged to knuckle under to the big companies or go out of business for lack of customers. All told, the major firms were accused of acquiring 75% of all burley tobacco at rigged prices, and maintaining \$100,000,000 inventories so they can thumb their noses at farmers who think they ought to get more money. Prices, said the D. of J., stay just high enough to keep the growers from shifting to a different crop—also just high enough to

Sales of Principal Brands

	Camel	Lucky Strike	Chesterfield	Philip Morris	Old Gold	10¢ Brands*
		(Figures in billions of units; 000 omitted)				
1929.....	37,207,987	36,992,668	28,102,093	8,250,374
1930.....	35,301,738	43,212,435	26,406,749	8,474,150	92,909
1931.....	33,286,021	44,479,190	22,752,868	7,601,804	392,803
1932.....	23,934,187	36,663,326	20,908,348	37,746	5,554,725	10,700,453
1933.....	25,580,292	36,693,206	29,272,969	639,937	5,300,667	10,117,160
1934.....	33,260,740	32,113,811	31,923,469	2,147,712	5,000,784	13,764,580
1935.....	39,416,415	30,716,057	31,804,285	3,516,779	5,116,705	15,781,477
1936.....	46,367,595	33,082,167	34,372,824	5,163,717	6,452,856	16,746,720
1937.....	47,748,530	34,476,687	34,678,301	7,787,928	8,077,715	19,610,290
1938.....	43,734,976	36,370,922	33,736,390	9,271,182	5,904,519	23,362,808
1939.....	42,772,054	38,347,027	33,073,095	11,093,685	5,662,568	25,557,428

* Twenty Grand, Avalon, Wings, Domino, White Rolls, Marvel, Paul Jones, Sensation.

make it awfully tough for ten-cent cigarette manufacturers to buy good quality.

After the tobacco is processed into a cigarette, the latter is advertised to the skies, but sold only to around 6,000 wholesalers (which the prosecution characterized as a group small enough to be policed handily). Wholesalers buy for "list" (now \$6.53 per 1,000 cigarettes) less discounts of 10% and 2%. They resell their wares at discounts ranging from 8% to 11% from list, thus making a fraction of a cent profit. Retailers, numbering about 1,000,000, make 1¢ to 2¢ profit per pack.

● **Policing of Retailers**—The retailer thereafter is similarly policed, according to the government's story, and doesn't dare sell the big brands at a differential wider than 3¢ as against the ten-cent brands. Where prices at retail go too high, or get over the 3¢ differential, it was alleged, the Big Three begin selling retailers direct (drop-shipment selling) so as to crack the price structure and to see that any retailer who sells Camels or Chesterfields or Luckies at anything but a uniform price is forthwith also given a little discipline.

To bolster the foregoing contentions, the D. of J. hauled out some assorted and incomplete statistics showing the "advertising allowances" which had been given the A. & P. grocery chain (mainly for the alleged purpose of setting retail prices): \$556,666 from R. J. Reynolds in 1930-32; \$946,996 from Liggett & Myers in 1930-36; \$1,243,868 from American in 1930-36; \$115,500 from Lorillard in 1932-33; and \$518,412 from Brown & Williamson in 1930-40.

● **Prices in Denver**—Additionally, the government brought to the witness stand a regional sales official for Reynolds who testified that the Big Three had tampered with retail prices in Denver after passage in Colorado of the unfair-practices act (which forbids selling below cost). Since this law had boosted the price of the major brands (but not the ten-centers), the Big Three reputedly took a bad licking in sales, Camels alone losing 3,750,000 packs there in three years. Thereupon, ran the story, came such a deluge of free deals, drop-shipments, and direct-selling that prices were beaten back into line.

Likewise, contended the government, the Big Three in 1932 and 1933 violently reduced wholesale prices to drive the ten-centers out of business and, having hamstrung their lesser contemporaries, then boosted prices back to the old level.

● **As Regards Farmers**—Under this barrage of accusations, the tobacco companies obviously made their best showing with respect to farmers and farm prices. Cannily they pointed out that the government had failed to call any Department of Agriculture witnesses—for the simple reason, said the defendants, that

the Big Three made a deal with the Department of Agriculture to keep farm prices up in depression times, thus could hardly be accused of rigging the market to the disadvantage of the ten-centers. Other evidence showed that they did largely buy the same tobacco grades (not non-competing types, as the government contended).

Circumstances surrounding the movement of prices at wholesale and retail levels furnished government attorneys with their strongest arguments, and they drove home their contentions of collusion with an effective exhibit of statistics showing that the competitors had always observed the price structure set by the reigning sales-leader (chart below). Attorney Miller argued that, while it was natural to follow price revisions downward, only conspiracy could account for the fact that they were uniformly followed upward as well.

● **Price and Volume**—When Liggett & Myers' President James W. Andrews said Chesterfields followed an upward spiral to keep Camels and Luckies from running away with too much profit, Miller forthwith wanted to know how those competitors could ever make any profit if Chesterfields bore a cheaper price and thus stole their business. Snapped he:

"Didn't you realize that . . . their volume would be less and profits less, and that they would not in fact have more money to advertise, but would have less money to advertise?"

Replied President Andrews: "We did not consider that."

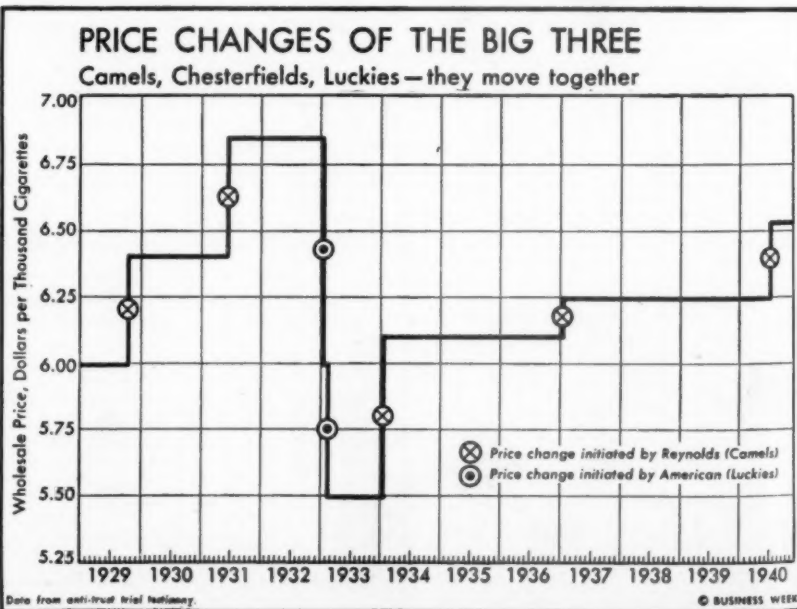
The manufacturers persistently could steer clear of charges of tampering with retail prices so long as they maintained that they didn't want to be "discriminated" against when prices were falling. But here again the matter of uniform price boosts seemingly did not register

favorably, even after Professor Theodore Yntema (University of Chicago) and Dean Clare E. Griffin (University of Michigan) testified that "convenience goods" prices generally always are uniform for the sake of convenience, if nothing else.

● **Motions for New Trial**—Though convicted, the defendants won't be sentenced until Nov. 17. Meantime motions have been made for a stay of judgment and a new trial. But whether these are granted or not, the whole costly affair (estimates of the legal bill run to \$1,000,000) looks like Supreme Court material.

As things stand now, each corporation faces a \$20,000 fine, while its officers can get a maximum \$20,000 penalty and four years in prison. Less well-defined is the future of five other tobacco companies (including Lorillard, Philip Morris and their subsidiaries) which were charged with similar violations, but didn't get into court because they agreed to abide by whatever penalties would be meted out to their bigger brothers.

● **Advertising**—Despite the introduction into the evidence of impressive figures on the advertising expenditures of the Big Three, this sales function was not directly challenged by federal attorneys, despite the widespread impression that Thurman Arnold was out to prove in this case that such advertising was monopolistic and hence illegal. After all, price conspiracy rather than monopoly or bigness per se was the issue of the case. Bigness and such manifestations of it as were inherent in the advertising figures entered into the case only to the extent that the antitrust lawyers felt it was necessary to prove that the cigarette manufacturers were big enough to effect the price conspiracy of which they were accused.



"My Boss makes the lousiest puns!"

"Funny thing, how every hard-boiled business man has at least one weakness. My boss's is over-ripe puns.

"Well, for instance: my job's been so much easier since they installed those new Model M Comptometers that the other day I couldn't help telling him how much we birds on the figure-work firing-line liked them. I started to deliver an oration on the Controlled-Key safeguard, and how it gives us phenomenal *first-time accuracy* by eliminating operating errors, and the amazing *speed* of those machines, and the *ease of operation*—

"'Hold on, young man!' the Boss said. 'I got my start in this business operating a Comptometer—before you were born! Maybe it didn't have all those improvements you mention, but, believe me, it was the best adding-calculating machine *then*, and you don't have to tell me it's *still* the best!'

"And then I saw the Boss's eyebrow twitch, like it does when he feels a corny pun coming on.

"'Yes sir!' he said, poking me in the ribs. '*You can always count on Comptometers!*'"

Your local Comptometer Co. man will gladly demonstrate (in your office, on your specific problems) how Comptometer adding-calculating *machines* and modern Comptometer *methods* handle *more figure work in less time at lower cost*. Telephone him... or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina St., Chicago, Ill.

COMPTOMETER

REG. U. S. PAT. OFF.

ADDING-CALCULATING MACHINES





ALCO OPEN HOUSE

Sixty newspapermen, photographers, bankers, and industrialists last week inspected facilities of the American Locomotive Co.'s Schenectady (N. Y.)

plant, and saw for themselves how the same plant can produce two 30-ton medium army tanks per day without interfering with the regular production of giant locomotives, steam and diesel-electric.

Defense "on Road"

Three six-car trains will carry government's shopping list and samples of needed items to potential subcontractors.

At Wright Field, Ohio, Aberdeen Proving Grounds, Maryland, and other Army and Navy depots, red-white-and-blue railway passenger cars are loading up with samples of defense equipment and parts. On Nov. 10, three six-car trains will head out of Washington on a six-week tour of the country to exhibit the articles to prospective manufacturers (BW—Nov. 14, p. 16).

There will be blueprints and specifications, too, of course, but small factory owners and their foremen will be able actually to get the feel of the stuff for which the government is in the market. • **84 Scheduled Stops**—One train will travel the Eastern Seaboard, the second will swing through the Midwest and the third will go to the West Coast and return through the South, making a total of 84 scheduled stops.

OPM's Division of Contract Distribution believes that the exhibit trains will reach, in less time, a larger number of manufacturers than could be reached by any other method of demonstrating where the great rank and file of industrial producers may be able to fit into the defense job. By a visit to the train, a manufacturer will be able to decide pretty definitely whether he's able to do

the work that has to be done. Many factory owners now don't know whether to go after defense business or to fight for materials to keep their regular business going.

• **On the Trains**—Trains will be staffed with representatives of the OPM, the Army Air Corps, Ordnance Department, Quartermaster Corps, Signal Corps, Corps of Engineers, Chemical Warfare

Service and Medical Corps, various branches of the Navy, Marine Corps and the Maritime Commission.

Field officials of the OPM and the Services will board the trains along the route so that suitably equipped manufacturers may establish direct contact with procurement officers or be put in touch with prime contractors who may have work to subcontract.

• **Write to Field Office**—Manufacturers should assure themselves of admission to the trains by writing now to the nearest field office of OPM's Division of Contract Distribution, supplying detailed information regarding their production facilities and also bringing such information with them to the train.

Visitors will be assigned definite hours in order to avoid congestion. Interviews will begin at 9 a.m. and continue to 5 p.m. with no time out for lunch. Each visitor will first enter a conference car, where his individual situation will be analyzed. Then he will be directed to the car which displays the material which he seems best qualified to make.

• **Production Clinics**—The Division of Contract Distribution will continue to arrange defense production clinics in large cities off the train routes. Temporary exhibits are assembled at these points and prospective subcontractors meet prime contractors desiring to farm out work and also government procurement officers seeking facilities.

Clinics are scheduled for Los Angeles, Nov. 17–18; San Francisco, Nov. 24–25; and Dallas, Dec. 11–12. According to Floyd Odum, director of DCD, 300 major and 400 minor clinics will be held during the next year. A plan is

Where OPM's Trains Will Stop

Eastern Train—No. 1

Nov.	Dec.
10 Washington, D. C.	1 Albany, N. Y.
11 Wilmington, Dela.	2 Utica, N. Y.
12 Trenton, N. J.	3 Syracuse, N. Y.
13 Bridgeport, Conn.	4 Binghamton, N. Y.
14 Bridgeport, Conn.	5 Scranton, Pa.
15 Providence, R. I.	6 Reading, Pa.
17 Lynn, Mass.	8 Harrisburg, Pa.
18 Portland, Me.	9 Greensboro, N. C.
19 Bangor, Me.	10 Charlotte, N. C.
20 Berlin, N. H.	11 Greenville, S. C.
21 Rutland, Vt.	12 Atlanta, Ga.
22 Worcester, Mass.	13 Macon, Ga.
24 Worcester, Mass.	15 Tampa, Fla.
25 Springfield, Mass.	16 Jacksonville, Fla.
26 Springfield, Mass.	17 Columbia, S. C.
28 Waterbury, Conn.	18 Raleigh, N. C.
29 Poughkeepsie, N. Y.	19 Richmond, Va.

Midwestern Train—No. 2

Nov.	Dec.
10 Washington, D. C.	1 Minneapolis, Minn.
11 Pittsburgh, Pa.	2 Rock Island, Ill.
12 Pittsburgh, Pa.	3 Rock Island, Ill.
13 Buffalo, N. Y.	4 Des Moines, Iowa.
14 Buffalo, N. Y.	5 Omaha, Neb.
15 Erie, Pa.	6 Springfield, Mo.

17 Akron, Ohio	8 Springfield, Ill.
18 Akron, Ohio	9 Joliet, Ill.
19 Youngstown, Ohio	10 Indianapolis, Ind.
21 Toledo, Ohio	11 Indianapolis, Ind.
22 Lansing, Mich.	12 Evansville, Ind.
24 Muskegon, Mich.	13 Louisville, Ky.
25 South Bend, Ind.	15 Cincinnati, Ohio
26 Milwaukee, Wis.	17 Cincinnati, Ohio
27 Milwaukee, Wis.	17 Columbus, Ohio
28 Madison, Wis.	18 Charleston, W. Va.
29 Minneapolis, Minn.	19 Lynchburg, Va.

Western Train—No. 3

Nov.	Dec.
10 Washington, D. C.	1 El Paso, Texas
12 Denver, Colo.	3 San Antonio, Texas
13 Denver, Colo.	4 Houston, Texas
15 Billings, Mont.	5 Dallas, Texas
17 Salt Lake City, Utah	6 Oklahoma City, Okla.
18 Boise, Idaho	8 Little Rock, Ark.
19 Spokane, Wash.	9 Memphis, Tenn.
21 Seattle, Wash.	10 Jackson, Miss.
22 Seattle, Wash.	11 New Orleans, La.
24 Portland, Ore.	12 New Orleans, La.
26 Sacramento, Calif.	13 Mobile, Ala.
27 San Diego, Calif.	15 Birmingham, Ala.
28 San Diego, Calif.	16 Nashville, Tenn.
29 Phoenix, Ariz.	17 Chattanooga, Tenn.
	18 Knoxville, Tenn.

INDUSTRY IS AMERICA'S FIRST LINE OF DEFENSE



Kilowatts at War

There is no mystery in America's great and growing capacity to supply the engines and weapons of war. It results from our vast manufacturing equipment combined with unequalled power resources. The wheels of industry are driven chiefly by electrical energy, which speeds production, cuts costs, multiplies man-power. The output of electricity in the United States is more than twice that of any other nation.

America as a whole has plenty of "reserve power" for its immediate needs. Generating capacity safely exceeds annual peak load demand. To anticipate the

nation's growing power needs, \$731,000,000 is being invested in new facilities during 1941 by private and municipal plants, as compared with \$462,410,000 in 1939.

In spite of increased taxes and operating expenses, the average rate for industrial electric power has declined with its expanding use, and amounted to 1.06¢ per kilowatt hour in 1940, compared with 1.23¢ in the 1917 war emergency. Taxes paid by the electrical power and light industry to federal, state and local governments have risen steadily, and amounted to \$413,000,000 in 1940.

BANK OF NEW YORK

New York's First Bank — Established 1784

COMMERCIAL BANKING . EXECUTOR AND TRUSTEE

48 WALL STREET • NEW YORK CITY — Uptown Office: MADISON AVENUE at 63rd STREET

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afoot to take clinics into many small communities by auto caravan.

• **Permanent Exhibits**—Busy with preparations to get the exhibit trains rolling, DCD hasn't got very far with establishing permanent exhibits of war equipment and parts in various cities but these will be assembled as present field offices, most of which are still housed in Federal Reserve Bank buildings, move into larger quarters.

The celerity with which a "shipping list" of Army ordnance items furnished to DCD's 55 field offices was snapped up is regarded as an index of the ability of many small manufacturers to contribute their bit to the defense program when acquainted with its needs. The expanded tank program also is regarded by DCD officials as offering a tremendous field.

• **List Available**—To speed delivery on existing contracts, DCD recently made public a list of prime contractors and their contracts compiled by the Army in response to a request for an itemization of those which seem to offer the greatest opportunity for subcontracting. This list may be examined at DCD field offices. The list is not comprehensive. But the Army, under pressure, gradually is lining up with the farming out program. DCD also is dunning the Army for information on purchases that are coming up but so far has received very little.

DCD officials now are working out a system of advertising defense work in terms that small manufacturers can understand. This isn't ready for airing yet. The Army and Navy are being urged to break down prime contracts into smaller units, also to include subcontracting provisions in prime contracts. OPM's plant site committee is turning thumbs down on proposals of big contractors to expand plant and equipment when subcontracting facilities are available.

• **Legislation**—DCD Director Odum is drafting legislation giving the Army and Navy, Maritime Commission, and other government agencies making substantial defense purchases, power to negotiate contracts on any terms and at any prices necessary to carry out President Roosevelt's executive order to "spread the load" (BW—Sep.13'41,p15). This will do away with the contention of the services that present laws requiring the award of contracts to the lowest responsible bidders, etc. don't give them the latitude in buying war goods that the DCD is driving for.

Already modified to some extent, these laws have been the refuge of the armed services from political pressure in awarding contracts. Cynics, recalling the last war, say that letting down the bars in order to harness a larger portion of the country's industrial capacity will lead to skulduggery of all sorts, but DCD officials calmly insist that it's the price we've got to pay to win the war.

Priorities' Big Push

Field organizations of both Nelson's and Odum's divisions are expanded to meet requirements of new Victory Program.

When this country's production sights were lifted a few weeks ago to prepare the way for Washington's vast new Victory Program, which calls ultimately for a trebling of our defense production (BW—Oct.25'41,p7), plans were drawn up immediately for expanding the field organizations of the priorities and subcontracting divisions of the Office of Production Management.

Anticipating a special new budget of \$23,000,000, Floyd Odum's Division of Contract Distribution is talking about plans for 4,000 field men and 200 field offices. Actually, only 55 subcontracting offices are already functioning (page 24), but the number is likely to grow rapidly in November and December.

• **Nelson's Division**—Donald Nelson's Priorities Division of OPM is not lagging far behind. Compared with 16 field offices operating in September (BW—Sep.20'41,p50), it now has 38 in operation. Five more, most of them in the

South, will be opened by December. During September, priorities field offices handled 120,000 cases, compared with 90,000 during August. October figures may run as high as 160,000.

Though it is not yet possible to get an individual priority certificate or a blanket rating on very many lines from the regional offices, these agencies, in line with Donald Nelson's recent plans for decentralizing OPM business, have recently been given full authority to issue P-55 preference orders on defense housing projects once they have passed the local Federal Housing Office and been approved by the local Defense Housing Coordinator.

• **Duties of Field Offices**—The main duties of the priorities field offices now are (1) to supply advice on how to go about getting a priority under the hundred odd orders of the present system, and (2) to suggest how to obtain extensions of preference ratings. But beyond this, local field offices are now making investigations of irregularities reported to them by various agencies in Washington. They are also to receive local reports of noncompliance with priority regulations, which they will then investigate and turn over to the Compliance Section and its legal staff to determine whether punitive action is warranted.

In areas where manufacturers for-



NINE-YEAR PEACE

The two-year battle between the broadcasting industry and the American Society of Composers, Authors, and Publishers (BW—Oct.18'41,p45)—which has kept ASCAP music off the networks since the first of the year—was ended last week when the networks signed new nine-year contracts with ASCAP. (Above, Mark Woods, vice-president of NBC; Gene Buck, president of ASCAP; and Melford R. Runyon, vice-president of CBS.) ASCAP will now get 23% of

the networks' receipts on commercial programs, and stations managed and operated by the chains will pay 24%. Though ASCAP won the right to collect at the source—from the place where their music originates instead of from the individual stations in a hookup, as they used to do—it lost out as far as cash was concerned. It will probably get about \$3,000,000 from radio in 1942, as compared with the \$5,100,000 it got in 1940. Broadcast Music, Inc., the rival organization set up by the broadcasters, will continue in competition with ASCAP.



MOBILIZED *for Service to Business*

**in saving brain hours and hand hours and
creating new production hours**

For greater service to users of our products, we have enlarged our Methods Department and broadened its activities. *A wealth of practical methods information is quickly available to you.* • Uses of Addressograph-Multigraph methods and equipment have expanded rapidly during recent years—and are being increased constantly by research of users' needs and experiences, in close cooperation with experienced engineering.

All users of Addressograph-Multigraph products who are interested in receiving methods information are invited to write us. You are entitled to this service for which there is no charge.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION • Cleveland, Ohio

SHOULDER TO SHOULDER WITH YOU IN AMERICA'S DEFENSE

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SHOULDER TO SHOULDER WITH YOU IN AMERICA'S DEFENSE

merly called on the Contract Distribution Division for priorities assistance, arrangements have now been made to refer cases to the nearest Priorities Division field office. In cases where there are important industrial subcenters in the district, trained priorities specialists are

being sent out from the nearest regional headquarters to make regular weekly visits to handle problems of individual manufacturers who have requested special assistance.

• **Five Districts**—To expedite business in the growing number of field offices,

Priorities Field Service Director L. Edward Scriven has now divided the country into five districts, headed by regional supervisors who will divide their time between Washington and their special field zones. Major policy questions should be addressed to L. Edward Scri-

Where to Go About Priorities and Subcontracts

	Priorities Field Offices (Manager, Location, Telephone)	Division of Contract Distribution (Coordinator (C), Manager (M), or deputies (DC, DM), if yet appointed, and field office locations)		Priorities Field Offices (Manager, Location, Telephone)	Division of Contract Distribution (Coordinator (C), Manager (M), or deputies (DC, DM), if yet appointed, and field office locations)
Albany, N. Y.		F. J. Holman State Bank Bldg. 75 State St.	Memphis, Tenn.	J. S. Bronson 2112 Sterick Bldg. Tel.: 5-7421 (1)	J. P. Norfleet (C) A. M. Field (M) 2112 Sterick Bldg. W. H. Seaman (DC) C. E. Ives (DM) 1124 First Wisconsin National Bank
Atlanta, Ga.	J. B. Reeves *104 Marietta St. Walnut 1744	W. C. Cram, Jr. (M) *104 Marietta St.	Milwaukee, Wis.		Roger Shepard (C) H. C. Timberlake (M) 240 Rand Tower A. J. Dyer (C) W. G. Whittitt (M) *228 Third Ave. N. Col. J. D. Sears (DC) R. L. Kennedy (DM) 176 Sussex Ave.
Baltimore, Md.	T. M. Chandless 1054 Baltimore Trust Bldg. Plaza 7255	W. F. Roberts (C) G. W. Creighton (M) *Lexington & Calvert St.	Minneapolis, Minn.	W. F. Kiesner 1320 Rand Tower Main 6518 G. S. Gillen 1015 Stahlman Bldg. Tel.: 5-8525	W. L. Duckert, Jr. (M) *226 W. 3 St. Eugene McAuliffe (C) Arthur Walker (M) *1701 Dodge St. T. S. Gates (C) F. W. Hankins (M) *925 Chestnut St. A. E. Walker (C) M. F. McOmber (M) *Grant St. & Ogle Way Herbert Payson, Jr. (2) Room 501, 433 Congress St. T. H. Banfield (C) S. A. MacEachron (M) *6 and Oak St. Walker Mason (2) Industrial Trust Bldg. Westminster St.
Birmingham, Ala.		E. L. Norton (C) L. E. Geoghegan (M) *18 St. & 5 Ave. N. A. M. Creighton (C) E. V. Hickey (M) *30 Pearl St.	Nashville, Tenn.		J. G. Holtsclaw (C) J. L. Mason (M) *90 & Franklin St. Mahlon Gregg Chamber of Commerce Bldg. 55 St. Paul St.
Boston, Mass.	D. T. Hood 19 Congress St. Lafayette 4250	J. J. Lenahan (C) T. J. O'Rourke (M) M & T Bank Bldg. Main & Swan St. Main & Swan St.	Newark, N. J.		
Buffalo, N. Y.	P. R. Smith 212 M & T Bank Bldg. Main & Swan St. Madison 3160	F. H. Cothran (C) F. E. Field (M) New Liberty Life Bldg.	New Orleans, La.	J. A. Bechtold 422 Canal Bldg. Raymond 3125 J. D. Pollock 25 Broad St. Hanover 2-0130 C. F. Aurand 414 Key Bldg. Tel.: 2-6491	
Charlotte, N. C.	J. E. MacDougall Liberty Life Bldg. Tel.: 3-6194	W. H. Hartz (C) T. S. McEwan (M) *230 S. La Salle St.	New York, N. Y.		
Chicago, Ill.	W. G. Bailey 20 N. Wacker Dr. Anderson 5050	Clifford Wright (C) Clifford Schulte (M) 804 Union Trust Bldg.	Oklahoma City, Okla.		
Cincinnati, Ohio	B. W. Burroughs 34 E. 4 St. Cherry 3740	G. C. Brainard (C) Charles Terry (M) *East 6 St. & Superior Ave. 305 Spahr Bldg. 50 E. Broad St. C. R. Moore (C) A. J. Langford (M) *Wood & Akard St. 1021 Third National Bank Bldg. 32 N. Main St. W. L. Petrakin (C) C. C. Hartzell (M) *17 & Arapahoe St.	Omaha, Neb.		
Cleveland, Ohio	W. T. Walker *East 6 St. & Superior Ave. Main 3213		Philadelphia, Pa.	F. W. Slack *925 Chestnut St. Walnut 5900 C. F. Cruciger *Grant St. & Ogle Way Grant 3532	
Columbus, Ohio			Pittsburgh, Pa.		
Dallas, Texas	J. B. Crockett *Wood & Akard St. Riverside 3046 (1)		Portland, Me.		
Dayton, Ohio			Portland, Ore.	J. F. Bergesch 1009 Bedell Bldg. Atwater 0201	
Denver, Colo.	V. L. Board 521 U. S. National Bank Bldg. Main 4231		Providence, R. I.		
Des Moines, Iowa		V. L. Clark (DC) George Beese (DM) 505 Crocker Bldg. Clarence Avery (C) W. H. Clarke (M) *160 Fort St., W.	Richmond, Va.	F. P. Wilmer 8-10 S. 5 St. Tel.: 7-2331	
Detroit, Mich.	Walter Hall 618 Blvd. Bldg. 7310 Woodward Ave. Trinity 17700		Rochester, N. Y.		
El Paso, Texas		W. R. Blair (C) S. A. Wilke (M) *351 Myrtle Ave. J. E. O'Connell (C) R. E. Towle (M) *Park & Edward St. Carl Grey (M) Phoenix Bank Bldg. 805 Main St. R. L. Blaffer (C) I. M. Griffin (M) Texas Ave. & Caroline St. Frank Hoke (2) Circle Tower	St. Louis, Mo.	W. H. Goodloe 411 Locust St. Garfield 1700 R. E. Bristol Utah Oil Bldg. Tel.: 4-7004 Carl Pool 1116 S. Texas Bank Bldg. Fannin 1475 A. L. Kerr *400 Sansome St. Exbrook 1893	G. M. Gadsby (C) J. M. Leisner (M) *S. Temple & E. State St. Hull Trenchblood (C) P. E. Locke (M) 1100 S. Texas Bank Bldg.
Helena, Mont.	O. A. Baarson *Park & Edward St. Tel.: 2000 (1)		San Antonio, Texas		
Hartford, Conn.			San Francisco, Calif.		
Houston, Texas	G. L. Noble, Jr. *Texas Ave. & Caroline St. Creston 8281		Seattle, Wash.	W. D. Shannon 960 Stuart Bldg. Elliott 6404	R. C. Force (C) Col. F. M. Smith (M) *Sansome & Sacramento St. U. M. Dickey (C) F. C. Bold (M) National Bank of Com- merce Bldg. F. W. Weger 629 Old National Bank Bldg. Edward Gerrity (M) 307 First National Bank Bldg. 95 State St. T. D. Harter 341 Warren St. (1)
Indianapolis, Ind.	A. O. Evans Circle Tower Market 9411		Spokane, Wash.		
Jacksonville, Fla.	G. H. Andrews 530 Lynch Bldg. Tel.: 5-0693	G. W. Simons (C) C. C. McCubbin (M) 504 Hildebrandt Bldg.	Springfield, Ill.		
Kansas City, Mo.	C. H. Carr *10 St. & Grand Ave. Victor 6950	R. W. Webb (M) *10 St. & Grand Ave.	Springfield, Mass.		
Knoxville, Tenn.	Dyer Butterfield Goode Bldg. Tel.: 3-0791		Syracuse, N. Y.		
Little Rock, Ark.			Tampa, Fla.		
Los Angeles, Calif.	G. H. Hutchins 1151 S. Broadway Prospect 7531	C. L. Thompson (C) A. M. Lund (M) *3 & Louisiana St. W. S. Rosecrans (C) H. M. Craft (M) *10 & Olive St. C. W. Allen (C) P. M. Terry (M) 200 Todd Bldg.	Tulsa, Okla.	(1)	
Louisville, Ky.	J. T. Howington Todd Bldg. 4 & Market St. Wabash 6553		Wheeling, W. Va.		
			Wichita, Kan.		
			Worcester, Mass.		
			Youngstown, Ohio		

* Federal Reserve Bank Bldg.

(1) Not yet located.

(2) State Director

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STEEL SAVED FOR DEFENSE BY STAINLESS STEEL TRAINS



AMERICA'S railroads today must share a too-limited supply of steel with the urgent demands of arms and ships. Defense is booming passenger travel. For millions of troops and civilians on the move, the country needs more cars — yet cars need steel!

But fortunately, the railroads' recent experience points to a favorable solution. In the light, strong, modern cars built by Budd of stainless steel throughout, they have equipment that calls for much less steel than old-style cars, and that produces other important savings.

Two twelve-car stainless steel Budd trains save almost a million pounds of

steel in construction — enough for a fleet of modern armored cars!

Lighter by a third than conventional equipment, they release one out of three locomotives — and fuel in proportion — for other urgent jobs.

Needing only a fraction as much maintenance and repair, and traveling safely on faster schedules, each Budd train can provide the service of three old-style trains — with great savings in time and labor.

Budd's application of stainless steel to cars was a milestone for railroading. And, constantly striving for improvement, Budd research has developed

the use of a *new and superior stainless steel*. Utilizing manganese, it saves about half the nickel formerly used!

In today's emergency, stainless steel offers a unique solution to several vexing problems. For no other car material can produce such economies without serious sacrifice of safety, strength, long life, maintenance or operating costs.

Cars built on this basis enable the railroads to meet today's needs with equipment that will still be valuable in peaceful years to come.

EDWARD G. BUDD MANUFACTURING CO., PHILADELPHIA

BUDD

CARS SAVE STEEL FOR DEFENSE

BUDD HELPS ARM EVERY BRANCH OF THE SERVICE. • Bodies for tough Army cars and trucks, bombs and shells, stainless steel parts for fighting planes and Navy ships today come streaming off Budd's high-speed production lines. • Arming America's defenders is Budd's most urgent business today!

ven, Priorities Field Service, 462 Indiana Avenue, Washington.

To handle the growing volume of public information demanded by the press, trade associations, and local business agencies, the Office for Emergency Management is also setting up a number of new field offices to supplement the work of the Washington headquarters. These regional information offices and the managers in charge are:

ATLANTA: Marvin Cox, Federal Reserve Bank (Walnut 1744).

BOSTON: Dudley Hovey, Federal Reserve Bank (Hancock 7100).

CHICAGO: Paul Jordan, 1441 Civic Opera Building (Andover 1745).

CLEVELAND: Samuel Slotky, Federal Reserve Bank (Main 0819).

DALLAS: L. L. Sisk and Tams Bixby III, Federal Reserve Bank (Riverside 3045).

DENVER: Eugene Cervi, 530 U. S. National Bank Bldg. (Main 4231).

MINNEAPOLIS: Dowsley Clark, 1800 Rand Tower (Geneva 6016).

NEW YORK: Clifton Read, Federal Reserve Bank (Rector 27460).

PHILADELPHIA: W. J. Dougherty, Federal Reserve Bank (Walnut 5900).

RICHMOND: William Bourne, Johnson Publishing Co. Bldg. (3-7618).

ST. LOUIS: Marvin McAlister, Federal Reserve Bank (Garfield 1700).

SAN FRANCISCO: Dean Jennings, 702 Newhall Bldg., 260 California St. (Exbrook 4432).

Farmer in Clover

Problems of equipment and labor fail to dim the fact that government-nurtured income will soon be crowding all-time peak.

Farmers of the United States are being rallied to spend their slack winter months getting ready for the biggest production on record—and the best cash income since the last war. There's a call from the Department of Agriculture to put all farm implements into the best of repair as a part of the "food for freedom" drive. And it's also a preliminary warning that output of new farm machinery is going to be cut in order to save metals to produce implements of war.

This is no time to scrap farm equipment which might be ready for the junk heap under any other circumstances, Secretary Claude R. Wickard cautioned in calling for the repair drive. In fact, this is the time to take inventory of needed repair parts which should be ordered at once. Materials will be made available to build these repair parts even though the output of new machinery will have to be curtailed.

• **What's Ahead**—Farmers who this year witnessed the shortage of hired hands—even at sharply increased wages (BW—Oct. 25 '41, p. 36)—are on notice that the situation will be even more acute in 1942. Not only is there every reason



A VARIETY OF CUSTOMERS

An example of the wide range of war customers being served by a typical U.S. company is furnished by the

line-up of trucks outside International Harvester's Fort Wayne truck factory, where vehicles are turned out for the Army, Navy, and Marine Corps, as well as for China and Britain.

to believe that the labor supply will be smaller, but there also is the fact that total farm production next year is expected to be at least 3% higher than the all-time record which 1941 is setting (in physical volume rather than dollars, because prices are far below 1918-19). The schedule calls for 125,000,000,000 lb. of milk next year, a gain of 7% over 1941; 4,060,000,000 dozen eggs, a gain of more than 10%; for the slaughter of 8,000,000 more hogs and 3,000,000 more cattle; for 465,000,000 lb. more dressed poultry; and for about 1,500,000 additional acres planted to both soybeans and peanuts to meet mounting needs for edible oils.

Wheat, cotton, and tobacco are the orphans. We have surplus cotton and wheat equivalent to approximately a full year's requirements after deducting anticipated consumption and exports during the current crop year. And we have more tobacco than we know what to do with, even after the 1941 curtailment in the crop, due to loss of export markets.

• **Price Prospect**—But wheat and cotton and tobacco will be taken care of along with everything else as far as prices are concerned. The price-fixing bill now pending in Congress won't put the ceiling on farm prices any lower than 110% of parity. Meanwhile, farm-bloc congressmen are pushing for a platform under prices at 100% of parity.

The platform would be erected by authorizing extension of Commodity Credit Corp. loans to farmers for storage of crops at 100% of parity against the present schedule of 85%. The Department of Agriculture will fight this 100% prop under prices, however, just as it will oppose any effort to put the ceiling below 110%.

• **Wickard's Argument**—Secretary Wickard's argument against the 100%-of-parity loans is a pretty simple one. To start with, we are driving for as large a production of livestock and livestock products in 1942 as we can possibly get. In order to encourage these increases in the hog-cattle-poultry output, farmers have to be assured of feed that is not so high that the profit will be taken out of the effort. If corn, for example, were boosted to 100% of parity, one of the most important cost items in the production of livestock would look a little formidable.

The argument in favor of a price ceiling in excess of 100% is equally direct. The Department of Agriculture says the farmer can't expect to get the ceiling price for every dozen of eggs or pound of butter that he sells. Hence, in order to average 100% of parity, he has to be able to get at least 110% on part of his production.

• **An Even Better Year**—In view of the fact that farm prices in the first half of 1941 were pretty substantially below parity and that they should average par or better throughout 1942, it seems safe to predict that the farmer next year will do even better price-wise than he has this. In addition, he'll have larger quantities to sell (even cotton planters can divert acreage to peanuts and wheat growers to soybeans without penalty under the agricultural adjustment program). Add higher prices to larger crops and you arrive at the very optimistic predictions that are prevalent as to next year's farm income.

This year's total cash income (including federal payments) apparently will come to about \$10,700,000,000 against \$9,120,000,000 for 1940, a gain of about 17%. Next year the estimates are run-

as high as \$13,000,000,000 (see on this week's cover) which would mean an increase of as much as 20%. In any way, would be the biggest since 1919, topping 1929's post-war peak of \$12,960,000,000 by a very comfortable margin.

No More Dust Bowls—And, perhaps interesting as anything about the 1942 production goal is the fact that it is planned without any material increase in cultivated acreage. The Department of Agriculture is determined that there will be no plowing of great submarginal areas as there was during the last few years of farm prosperity.

KIES WELCOMED

California farmers, facing field labor shortages, rejoiced this week over figures released by federal agencies showing that the Okie migration to the Golden State is on again. This time the farmers are pleased over news of the westward trek.

Migrants are crossing California state lines at a greater rate than at any time in the last five years, the figures show. During the first nine months of this year, state border inspectors counted 452 persons judged to be "in need of seasonal employment" entering California. This is 25,000 more than in same period last year; 30,000 more than in the first nine months of 1939. About 45% are from Oklahoma; nearly 45% from Oklahoma, Texas, and Arkansas.

Farm leaders figure about one out of four migrant family gets a job in such defense activities as the San Francisco shipyards or Los Angeles airplane factories. The rest of the family takes to the fields.

DEFENSE BUSINESS CHECKLIST

• **For Railroad Repairs**—OPM's Priorities Division has issued repair and maintenance order P-68 for the iron and steel industry. The order provides a basic preference rating of A-3 for essential repair, maintenance, and operating material. For material necessary to repair actual breakdowns, an emergency rating of A-1-A will be assigned. Advance purchases of material to avert breakdowns and suspensions will be facilitated by assignment of an A-1-C rating. The high breakdown ratings, however, may be applied only with the express permission, secured in advance, of the Director of Priorities. Plants covered by the order include those engaged in the production of pig iron, primary forms of steel, blast furnace coke, and ferro-alloys. Producers must file with OPM's iron and steel branch an acceptance of the order and a statement of past inventories and consumption on form PD-148 before applying the basic preference rating assigned by the order. Once authority for use of the A-3 rating has been granted and a serial number assigned, no further application need be made for its use.

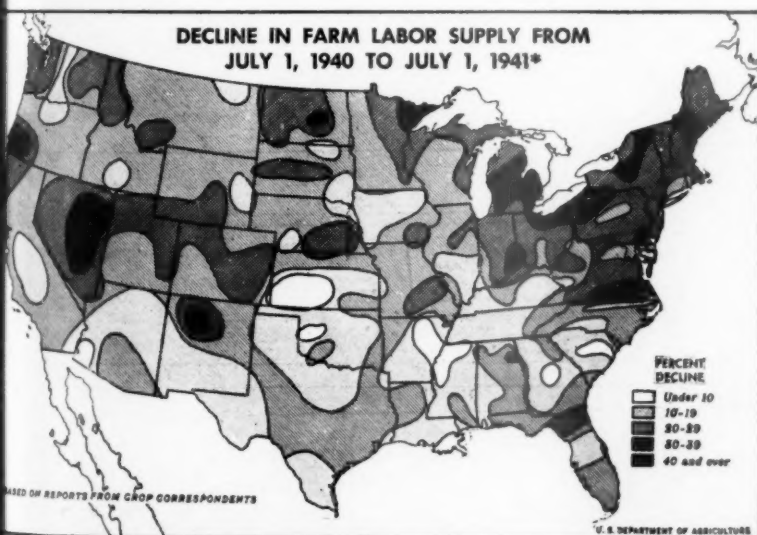
• **Waste Paper Prices**—Extension of ceiling prices to cover 34 grades of waste paper, instead of 23, and the addition of specific allowances for jobbers' services are the principal points involved in an amendment to price schedule No. 30 (waste paper sold east of the Rocky Mountains) announced by Price Administrator Henderson. Also included in the revision is a clarification of the provision permitting an additional charge of \$1 a ton by dealers for loading waste paper on railroad freight cars. In announcing the amendments, Henderson reiterated that householders, office buildings, and other primary sources of waste paper cannot collect the ceiling prices. Neither can small collectors and dealers who dispose of their material to large dealers. These intermediate sales must be below the established maximums in order that final sales to consumers may be made under the ceiling prices.

• **Crane Order Revised**—Manufacturers of cranes and hoisting equipment working on vital defense orders have been granted the assistance of a new preference rating order, P-5-B, by OPM's Priorities Division. The new order, replacing P-5-A, which granted a preference rating of A-1-A on deliveries of specified materials, differs in a number of important respects. For one thing, P-5-B does not grant the same rating to all manufacturers. Ratings are to be assigned in accordance with the defense needs for the particular types of crane or hoisting equipment manufactured by any one producer. Producers and their suppliers may apply the rating only in the acquisition of the materials and equipment needed to fill a defense contract, with the further restriction, in the case of suppliers, that the rating may only be used to expedite orders for material which is to be incorporated into the finished product or used in certain specified materials listed in the order.

• **A-2 for Fire Equipment**—Manufacturers of essential fire-fighting equipment, needed to fill defense orders, have been granted the assistance of an A-2 preference rating by OPM's Division of Priorities. Preference rating order P-45 specifically restricts the use of A-2 ratings to deliveries of material which will be incorporated physically in the finished product required to fill defense orders. A supplier, who has been furnished with a copy of the order by a producer, may apply the rating to deliveries to him of materials to be passed on to his customer, provided they are for the uses authorized.

• **Steel for the Coast**—The Office of Price Administration and several other governmental agencies, including OPM, the Maritime Commission, the Army, the Navy, and the Treasury's Procurement Division, have requested the railroads to reduce freight rates for iron and steel articles on all-rail routes to the Pacific Coast (BW—Jul. 19'41, p8). The request was submitted to the Transcontinental Freight Bureau in Chicago. Rates proposed would be graded downward from \$1.15 per 100 lb. on shipments from the Atlantic Seaboard to 75¢ per 100 lb. from Colorado shipping points to all Pacific Coast ports. They would apply to minimum carload weights of 80,000 lb. Present rates range from \$1.43 per 100 lb. from Atlantic Seaboard points to 85¢ per 100 lb. from Colorado, with minimum carload weights of 40,000 lb. and 60,000 lb., depending on the kind of product.

• **P. S.**—A list of maximum prices for zinc alloys has been made public by Price Administrator Henderson. A formal price ceiling will be issued in the near future. Maximum prices on rolled zinc products, including sheet, strip, and plates, will be issued by OPA as soon as investigations now under way as to costs and earnings are completed. . . . Ceiling prices roughly 15% under present market levels will be imposed on finished bed sheets in the near future. . . . A nation-wide survey of the iron and steel industry and its operations under the priorities system is being undertaken by OPM's Priorities Division. Examiners of the Federal Trade Commission have been borrowed to gather factual data in the steel survey.



needed for mechanization of American farms—dramatized by Secretary Wick's drive to repair any implement

that can be patched up—grows directly from the shrinkage in labor supply portrayed in this chart.

Winter Showdown Nears in the Middle East

The war is rumbling into the Middle East along lines predicted several weeks ago (BW—Sep. 27 '41, p. 75), and as it gathers momentum it is becoming increasingly apparent that supplies from the United States are going to play a major rôle in the outcome of this winter's struggle for control of North Africa and the great arid—but vitally strategic—regions nearby in Asia.

Though Hitler still holds the initiative, he's racing now against the time when Britain's defense forces in the Middle East, equipped with the most modern planes, tanks and guns from Britain and the United States, will prove a match for his racing panzer divisions and diving Stukas. Between them now lie only the formidable Caucasus mountains or—if they choose the alternate route—the rugged stretches of tenuously neutral Turkey.

While bloody battles still rage around Rostov (1), Russia's Pittsburgh, and in the Crimea (2)—through which Nazi divisions are attempting a shortcut to the oil fields on the northern slopes of the Caucasus at Grozny (4)—other German forces are fighting desperately to force their way past Rostov and across the Caucasus to the Volga (3). If they can complete this drive, they will cut off the main Russian armies from their biggest oil supplies and block out one of the shortest supply routes running between Moscow and the Allies through Bandar Shahpur (5) and the single-track railroad through Iran.

But the Allies are carrying out bold plans to stop the Nazis short of the main oil fields and to hold the Middle East as a base for other sup-

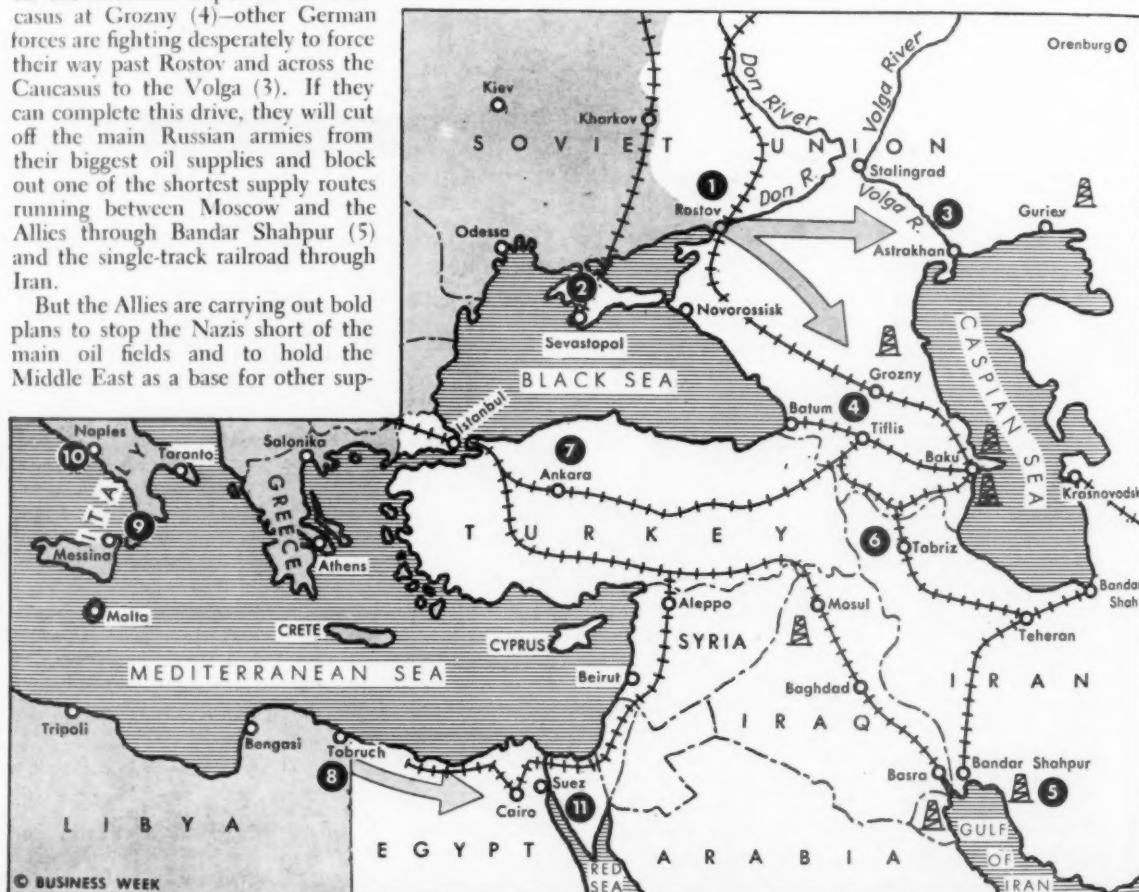
ply routes to the Soviets and ultimately for their showdown struggle with Hitler. An American military mission headed by Brig. Gen. R. L. Maxwell, former Administrator of Export Control in Washington, is due to leave soon for the Middle East to study the possibility of widening the gage of the Basra-Baghdad section of the old Berlin-to-Baghdad railway so that it will accommodate standard rolling stock which can be carried into Turkey where the gage is already standard.

Also to loosen the transport bottleneck, new locomotives and rolling stock are being rushed to Bandar Shahpur for the trans-Iranian railroad which recently has been connected with the Soviet system by way of Tabriz (6). Another branch may soon carry traffic across the Soviet border to Krasnovodsk, from where supplies can be rushed to the Urals over routes comparatively safe from German bomber attacks. Meanwhile in Ankara (7), the Turkish Republic celebrated its eighteenth anniversary with an impressive display of military

might including tanks, planes, and smartly armed troops. But at the diplomatic ball which ended the day, German and British diplomats were received equally unctuously. No one knows better than the Turks that the time is fast approaching when they will be forced to line up with one side or the other. Until the final showdown comes, they are skillfully playing one side against the other, showing no sign of the way they intend to jump.

The winter campaign will not be confined to the Middle East. British planes have already resumed their raids on Naples (10) and on the other embarkation ports along Italy's toe (9) from which the Axis powers are rushing men and supplies across the Mediterranean to Libya (8) for a new push on Egypt that may start any day.

It is through Suez and the ports at the head of the Gulf of Iran that the United States is preparing to pour its supplies for the great winter showdown in Africa and the Middle East. The flow is just beginning.



FROM TOP TO TOE- *Petroleum*

GLAMOUR wrought by chemical magic from the molecules of crude oil . . .

Her hair-wave lotion is made with *isopropyl alcohol* derived from petroleum. Her cosmetics are blended with *glycerine*—available from petroleum.

The toilet accessories on her dressing table are molded from plastics by means of *Methyl ethyl ketone*—from petroleum.

"Tremendously effective," says the fashion note, "this dramatic new hostess gown of acetate rayon." Its silky threads are spun from filaments formed with *acetone*—from petroleum.

Beauty aids are incidental accomplishments of the scientists at Shell's research laboratories. Their main activity is the constant improvement of Shell fuels and lubricants.

• • •

INDUSTRIAL LUBRICATION needs this research skill as never before. It sets the pace of production. Yesterday's solution is seldom good enough for today.

Better methods. Better products. These are the sole reasons for the existence of Shell's \$3,500,000 research facilities, manned by 821 scientists and assistants. The revolutionary new Shell Turbo Oil is an example.

In hundreds of instances, recommendations of Shell engineers have led to increased production and lower operating costs.

Before Shell industrial lubricants are offered to you, they are plant-tested—proved—under all kinds of actual operating conditions.

With the use of Shell lubricants, you are assured the continued watchfulness of Shell men—a service which needs no prompting.

Are you quite sure that your plant has the benefit of all that is new in lubrication, as it develops? You will find a Shell man's recommendations entirely practical—and made without obligation.



SHELL INDUSTRIAL LUBRICATION



CURRENT efforts of brain and brawn, man and machine will determine how far today's concerns will go tomorrow. To manufacturers now "on their mettle" to meet the challenge of future merchandising needs, Hinde & Dauch offers the facilities of its Package Laboratories. Just as H & D's 25 mills and factories are now working full time to produce shipping boxes for hundreds of items, from shells to shoes, H & D's Package Engineers are ready to "deliver" for manufacturers seeking authoritative packaging services.

These services include the study of your product, your market, your complete packaging program; the development of corrugated packages to meet the situation squarely; the preparation of packages which are more simple, more economical, more effective . . . depending upon your objective.

H & D can perfect the packages you need to complete tomorrow's merchandising program so that it can be "stored" as a unit, ready to roll when business gets the signal to go ahead. Write us today.



New standards of simplicity, effectiveness, economy, practicality are being established as H & D Package Engineers work full time on corrugated package development. Perhaps the adaption of one or more of these corrugated achievements will save you dollars today, precious time tomorrow.



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 FACTORIES in Baltimore • Boston • Buffalo • Chicago • Cleveland • Detroit
 Gloucester, N. J. • Hoboken • Kansas City, Kans. • Lenoir, N. C. • Montreal
 Muncie, Ind. • Richmond, Va. • St. Louis • Sandusky, O. • Toronto.

New "Hen" Plan

This time, subcontracting tie is a continuing business relationship, with small client company as group coordinator.

E. H. Scott Radio Laboratories, Inc., regularly does three-quarters of a million dollars' business a year in custom-built radio receiving sets. Minimum price is \$400, maximum up to \$3,000 depending on what performance the buyer demands. If he must hear rubber reports from Singapore, or bring in a 50-watter 3,000 miles across country, Scott will build him a set to do the job.

But when it came to getting defense business, Scott Laboratories was just another small manufacturing outfit with a small plant. It has less than 100 employees, and practically no machine equipment. With priorities beginning to pinch and not a hint of defense business in his regular volume, Mr. Scott began hustling for some Signal Corps or Navy radio contracts. He made the conventional rounds. The Chicago office of the Defense Contract Service sent an engineer to look over his factory, told him he had little to offer to the prime contractors on its list. He took the usual trip to Washington, visited the Army and Navy and Office of Production Management in search of contracts prime or sub. Everybody gave him the polite brush-off.

• **Germ of an Idea**—By the time he got home empty-handed, Scott had the germ of an idea. He could see why he looked hopeless to procurement officers. But also he was sure that if only he could find a way to sell it, he had something that defense could use.

His reasoning ran about as follows: His little factory was merely the engineering-design, assembly, and sales departments of a group of factories comprising manufacturing facilities many times as great. Considered in this light, Scott Laboratories is an outfit with a big plating department, a couple of stamping departments unusually competent in aluminum and steel. It has two units expert in two aspects of plastics, another concentrating on die-casting, another a specialist on screw-machine jobs, and so on.

Scott decided to make himself the spearhead in selling for defense purposes as large a fraction of these over-all production facilities as he could funnel through his plant. He made a series of visits among his long-time suppliers, got them interested in working with him.

• **Why Not Play Ball?**—His sales argument was as simple as a-b-c. They had been doing business with him for many years, would presumably like to con-



MESSAGES FROM GEM

Typical of the current trend in public relations is the Gem Safety Razor Corp.'s mobile recording unit, in a deluxe trailer, which tours the Army

camp and makes records of the soldiers' voices, which it sends home to their families, gratis. Gem has two units—now working with the troops in southern maneuvers. Each unit averages 1,000 recordings a week.

continue doing business with him after the war. Why not, then, play ball by keeping on his list through the emergency? In a word, why not sell as large a share as possible of their capacity through their regular customer? They got the point, agreed they had rather keep up their relations with an old friend around the corner than sell to an obviously temporary customer a thousand miles away whose business would evaporate on the day a year or a decade away when this war contract should be cancelled.

Presently Scott had put together something strangely similar to a York Plan or mother-hen group. The major difference is that the tie is not geography, but a continuing business relationship. Also different is that instead of the group's being headed by the largest company, Scott Laboratories is one of the smaller units. It is almost a perfect example of tail wags dog.

• **Survey of Capacity**—The next step was a survey of these firms' available capacity, by types and sizes of machines, numbers of employees, square feet of floor space, experience, and specialties. Eleven first-line suppliers are described in detail in Scott's 40-page prospectus of the group's facilities. Each one is backed with a photostatic copy of its letter agreeing to work with Scott Laboratories on defense contracts.

The list includes four concerns that are big in their fields: The Richardson Co., molded and laminated plastic parts; Central Die Casting & Mfg. Co.; Lenox Electric Mfg. Co.; Etching Co. of America, panels, dials, name-plates. The other regular collaborators are: Milled

Screw Products Co., screw machine products; Barnes Metal Products Co., radio shields; Micarta Fabricators, Inc., laminated plastics; Metal Products Co., aluminum boxes and chassis; Steel Box & Display Co., sheet metal parts; Boyar-Schultz Corp., tools and dies; and The Modern Plating Co., plating.

• **Alternative Suppliers**—Besides these, the prospectus lists 13 alternative suppliers. It includes a group picture of the entire Scott organization and shows its civilian products. As soon as some defense business was landed, this was added to the book. There are blueprints of the plant as it is, and as it can be expanded almost overnight.

First blood was a Navy subcontract for \$73,000 received from the Western Electric Co. The item is very hush-hush, but Scott and his helpers finished up their section well ahead of schedule. They are currently awaiting receipt of parts that must come from the prime contractor to permit completion.

• **Special Receiving Set**—The group's performance on this subcontract got it called in for consultation on several other problems. Scott has, at the Navy's request, developed a special receiving set that can be used for recreational purposes aboard ship without some of the military disadvantages of using ordinary receiving sets. He expects to land a substantial contract for this unit very soon. Likewise, he has built pilot models of an interceptor set that is now being put through field trials by the Army Signal Corps. Members of the group claim they are just as enthusiastic about the idea as Scott is.

Alky Impediment

Ban on making industrial and beverage product in same plant retards efforts to meet smokeless powder requirements.

After four months of negotiations involving OPM, Commodity Credit Corp., Alcohol Tax Unit, and Army Ordnance, three of liquor's Big Four have fallen in line with defense alcohol production plans (BW—Oct. 25 '41, p. 32).

First to sign a contract with the Ordnance Department was the Canadian-controlled Seagram Distillers Corp. According to Fred Willkie (Wendell's brother), vice-president in charge of plant operations, Seagram will convert 65,000 bu. of Commodity Credit Corp. corn per month—yielding approximately 325,000 proof gallons of alcohol—for the Army's smokeless powder plants.

• **Schenley and National**—Beaten to the dotted line, Schenley and National hastened to announce that they too, were about to produce shooting alcohol. Schenley, said Board Chairman "Lew" Rosenstiel, is scheduled to turn out 850,000 gal. under an initial contract to be completed by Jan. 31, 1942. National is negotiating contracts calling for 1,000,000 gal. in the first three months, with a 3,000,000 gal. production scheduled shortly thereafter.

Altogether the three companies will be producing initially less than 1,000,000 gal. a month, according to these figures—only a drop in the near-empty alcohol bucket. Alcohol shortage next year is estimated at from 5,000,000 to 10,000,000 proof gallons per month. Production will be stepped up sharply, however, after completion of the initial contracts, designed to establish conversion costs. Distillers contend that the Army and OPM are driving a hard bargain, leaving little if any profit on alcohol operations, hope for revisions in later contracts.

• **Hiram Walker**—Biggest reason why the whisky industry's alcohol output so far fails to measure up to demand is Canadian-controlled Hiram Walker, third in liquor sales but first in alcohol capacity. Under present laws and regulations, Hiram Walker can produce either whisky or alcohol, but not both at one time, in its big modern plant in Peoria, the "world's largest distillery." The other companies each have several plants, only one of which will be diverted to alcohol production.

Until its acquisition last month of one of Maryland's most famous old distilleries, the Frank L. Wight & Co., Hiram Walker had only the Peoria plant, could not undertake alcohol production without jeopardizing its competitive position. Rep. Dirksen intro-

duced a bill (BW-Oct.18'41,p8) last month to permit Walker—and other single-plant companies—to distill both alcohol and whisky as the others are able to do, but Hiram Walker's estimates of its chance for passage—and its own prospects—are suggested by the sudden purchase of the Wight distillery. Hiram Walker's whisky supply is now assured but it is still faced with an unproductive shutdown of part of its Peoria plant if it must undertake the production of government alcohol without legislative relief.

• **Dirksen Bill's Opponents**—The industrial alcohol industry is determined to maintain the statutory differentiation—in description, production, and use—between industrial and beverage alcohol which alone enabled it to weather Prohibition. Fighting bitterly against the Dirksen bill, which would lift the limitation on production of alcohol in whisky plants, industrial alcohol interests are supporting a substitute bill offered by Rep. Gearhart of California which would permit the simultaneous production of alcohol and whisky provided the alcohol is for government use only.

The Gearhart bill would maintain the distinction between potable and un-

potable alcohol and would confine whisky alcohol to the smokeless powder program, thus letting the alcohol industry hold on to its regular customers at the cost of the transitory defense business. It has to give up one or the other anyway.

• **Official Attitudes**—Neither the Alcohol Tax Unit nor the OPM is very much concerned about the problem of producing whisky and alcohol simultaneously. The Alcohol Tax Unit is convinced that its liberalized regulations now permit the necessary changeovers with a minimum of trouble and expense. The OPM's attitude is that the whisky alcohol program is a "week-end" proposition anyhow—"voluntary production of some alcohol by some whisky distilleries equipped to produce it," principally on week-ends when whisky plants are normally shut down.

Distillers, complaining that OPM has underestimated requirements in the past, are fearful that actual alcohol requirements next year will require not week-end but all-out production. One-plant companies which would then be drawn into the program hope that arrangements will be made before it's too late to use whisky facilities efficiently and with a minimum of dislocation.



McGRAW AWARD

A name makes news at each annual convention luncheon of the National Electrical Manufacturers Association when a man rises from the head table to receive the James H. McGraw Award manufacturers' medal for distinguished service to the industry. This year it was the name of Dwight G. Phelps (second from right), vice-president of Colt's Patent Fire Arms Manufacturing Co. In presenting the medal last week, Horace P. Livingside

(left), president of the Philadelphia Electric Co., cited Mr. Phelps' work "in the surveying of wage experience within the industry to establish a sound basis for company policy and for minimum wage control under the Walsh-Healey Law." Witnesses of the ceremony were James H. McGraw, Sr. (second from left), founder of the awards; Earl O. Shreve (right), retiring president of the National Electrical Manufacturers Association; 530 association members and guests at the Waldorf-Astoria in New York.

Salvage Drive

OPM's impending drive for every available pound of secondary material will enlist normal trade facilities.

Seven days before the Armistice was signed in 1918, the first definite move toward a country-wide program for salvage of waste materials was made in a letter to the mayors of towns all over the United States, asking their cooperation in setting up local organizations to stimulate scrap collections. Today, in spite of bickerings over who would run such a program and how, OPM's Bureau of Industrial Conservation is ready to announce an over-all campaign aimed at stoking the defense program with every pound of secondary material which can be found loose in the nation.

The mechanism for handling such a drive has been set up for more than a month. But formal launching of the national salvage plan has been held up by the necessity of clearing ways and means with the other government agencies with fingers in the salvage pie—specifically Fiorello H. La Guardia's ubiquitous Office of Civilian Defense.

• **Industry Cooperation**—Officials have indicated in a general way the principles which will govern the campaign. These boil down to a minimum of government supervision and a maximum enlistment of industry cooperation. Guided by the ill-starred example of the recent aluminum drive, which very nearly came a cropper, OPM's Industrial Conservation Bureau is determined to utilize to the fullest possible extent the facilities of the country's two to three thousand scrap dealers.

Under the plan followed in the aluminum drive, the nearly 12,000,000 lb. of pots and pans collected were earmarked for direct sale to 28 picked smelters. Normally, this material would have been sold to regular scrap dealers, possessed of cleaning, sorting, segregating, and baling facilities. Instead, the entire job was thrust on the smelters, who lacked the necessary equipment or even yard space to handle the influx of ungraded material. The Conservation Bureau is determined that this mistake won't be repeated.

• **Some Drives in Progress**—Guinea-pig state for the campaign will be Maryland, but miscellaneous drives are already under way in several states, and pressure for getting along with the program is so great that other states will be brought in as rapidly as possible. Stimulation of iron and steel scrap recovery from automobile graveyards is being carried out in 19 states, and wastepaper consuming industries have launched a private campaign to bring out the estimated 2-

Introducing, over a decade ago, all-welded steel construction on a practical and economical basis... more recently by developing rigid frame construction which has produced plant interiors "clean as a gun barrel" and by putting to work overhead areas usually wasted in the past.

NEW PLANT IDEA BORN IN 1930—When Austin Engineers developed the "Controlled Conditions" Plant, they could hardly have foreseen its vital importance in Defense work today. While popularly known as the "Blackout" Plant, the primary reasons for its success are greater operating efficiency and lower costs. With light controlled, atmospheric conditions controlled, noise controlled—*uniform working and operating conditions are provided 24 hours a day*, winter or summer, rain or shine... not a cure-all, nor universally applicable, it has already demonstrated itself to be the most advanced type of plant that money, management and science have created.

★ ★ ★

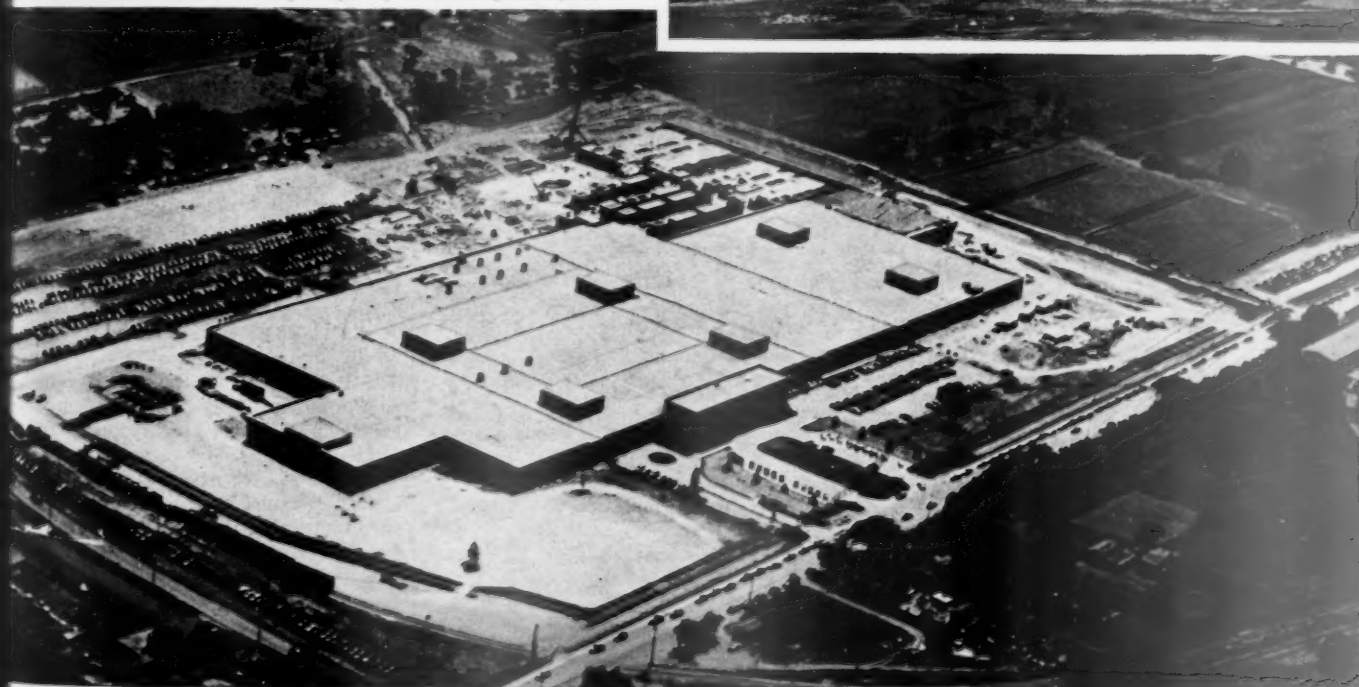
Austin Engineers are prepared to analyze your building needs quickly, and co-ordinate building layout, design and construction under one contract which definitely *guarantees in advance*: total cost; time of completion; and quality of materials and workmanship... Suggested designs and cost estimates furnished promptly without obligation.

"Controlled Conditions" or "Blackout" Plant for the production of aircraft engines, recently completed in the Midwest. Light is controlled, atmospheric conditions are controlled, and uniform working and operating conditions are provided 24 hours a day. One of ten "Controlled Conditions" buildings designed by Austin during recent years.



Above—New foundry of Aluminum Industries, Inc., Cincinnati. This new project of all-welded steel construction designed by Austin, is devoted entirely to the production of magnesium and aluminum castings for the aviation, automotive and other basic Defense industries.

Below—New plant of Hygrade Sylvania Corp., Danvers, Mass., manufacturers of "Hygrade" Lamps and "Miralume" Fixtures. This new plant for production of fluorescent lamps contains over 100,000 sq. ft. Design and construction by Austin.



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ST. LOUIS . . . 206 Hume-Mansur Bldg., Riley 1082
CHICAGO . . . 510 N. Dearborn Street, Superior 6100



ST. LOUIS . . . 1198 Arcade Building, Main 1058
HOUSTON . . . 1616 Second Nat'l Bank Bldg., Capitol 1676
SEATTLE . . . 877 Dexter-Horton Bldg., Elliott 3450
OAKLAND . . . 1924 Broadway, Highgate 3423
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FLUORESCENT AT ITS BEST!



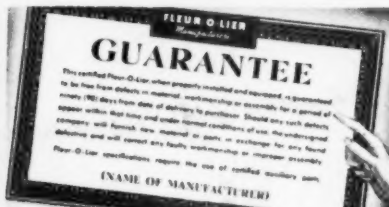
If you've pondered and puzzled about what kind of fluorescent lighting fixtures to buy for your business—stop worrying—take this tip. Look for the label that marks the Certified FLEUR-O-LIER! You need look no further.

This label is your assurance that famous Electrical Testing Laboratories has certified this fixture as having met 50 exacting specifications set up by MAZDA lamp manufacturers to give you good light and safe, satisfactory performance.



For your protection, FLEUR-O-LIERS are tested on such vital points as flicker correction, durability and safety, ease of maintenance, dependable ballasts and starters, efficient lighting performance and high power factor (over 85%).

Ask your supplier and local electric service company about FLEUR-O-LIERS—to give you balanced, trouble-free lighting for your business.



FLEUR-O-LIER means lighting fitted to your specific needs. You have a choice of over 125 different designs . . . in a wide price range, products of over a score of leading fixture manufacturers. And they all carry the guarantee you see here.

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Please send me FREE new booklet "50 Standards for Satisfaction," together with list of Fleur-O-Lier manufacturers.

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000,000 additional tons of wastepaper that are needed for paper box manufacture over the amount available so far this year.

Other campaigns now going on include reclamation of scrap metals laying idle on farms, in federal, state, and municipal buildings throughout the country, and the state-wide program for recovery of iron and steel scrap launched in Michigan by Gov. Van Wagener and the Michigan Council of Defense. In Michigan, members of the defense councils in the state's 83 counties are being counted on to push the program along.

• **Estimates**—Estimates of the amounts of vitally needed waste materials which will be recovered from normal secondary sources of supply during 1941 range from 34% of the total supply in the case of copper to 16% for rubber. It is expected that 29% of total tin production, between 20% and 25% of steel, 22% of aluminum, and 20% of the lead produced will be reclaimed from secondary sources. These figures do not include so-called "home scrap," collected in the factories themselves, or estimates of special campaign results.

There are no hard and fast estimates of how much additional scrap of all kinds must be brought out by the national campaign. OPM's answer to queries on that score is that no matter how much the program brings in, it won't be enough.

• **Wastepaper Needs**—In the case of wastepaper for manufacture of paper-board, demand for 1942 is estimated at over 7,000,000 tons. In 1940, wastepaper needs of the box board industry accounted for something less than 4,000,000 tons.

Based on an 81,000,000-ton steel program, scrap requirements for 1942 will run around 40,000,000 tons. Somehow, from some place, 3,500,000 tons more of scrap suitable for steel making must be turned up than will come into the market for 1941. An additional 6,500,000 tons of metal will be required by the foundry industry.

• **Phase of Conservation**—The forthcoming salvage plan is only part of the general problem of conservation being tackled by OPM. Simplification, development of emergency specifications for the Army and Navy as well as for private industry, and substitution of materials which are plentiful for those which are not are other aspects of the program.

Obviously, the whole program of stimulated scrap recovery could be left to the law of supply and demand if the corollary necessity of keeping prices in line didn't exist. But price ceilings on primary materials make price ceilings on complementary scrap inevitable. So far, Price Administrator Henderson has slapped ceilings on seven basic scrap materials—aluminum, iron and steel.

brass, copper, zinc, nickel, and waste-paper.

• **Aluminum Scrap**—The first scrap ceiling was set for aluminum on Mar. 24, 1941. In announcing the schedule, Henderson pointed out that, under normal conditions, prices of secondary aluminum do not exceed prices for virgin aluminum. The fact that this situation no longer prevailed for aluminum scrap, which was selling for as much as 32¢ per lb. when virgin aluminum was priced at 17¢ a lb. was the immediate cause of the schedule, which cut prices to a spread of from 10½¢ to 14½¢ a pound depending on grade.

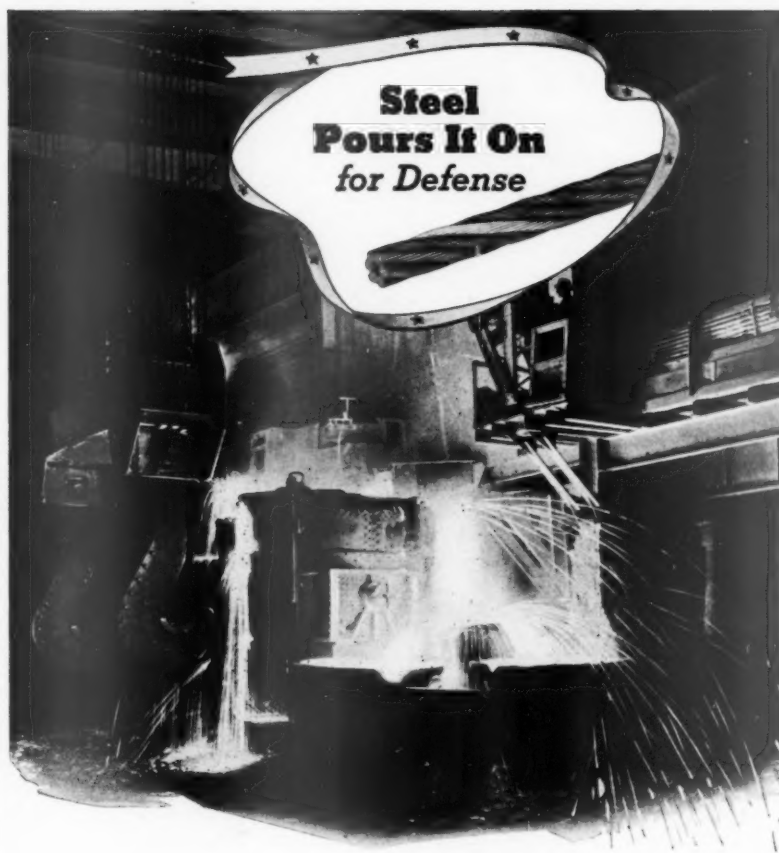
The aluminum price schedule established the principle of holding prices of secondary material to a normal relationship with primary prices. In general, this has been the rationale of all succeeding schedules. Price ceilings for zinc scrap were established on Mar. 31, and were pegged to prices of primary zinc. The same holds for iron and steel scrap ceilings (Apr. 3), scrap containing nickel (June 2), brass mill scrap (July 22), copper scrap (Aug. 19), and waste-paper (Sept. 20).

• **Henderson's Objectives**—The functions of scrap schedules, in Henderson's opinion, are (1) to keep scrap prices in line with primary materials prices and (2) to assure an even and accelerated flow of scrap into the market. In order to accomplish this second objective, eight amendments have been made to the iron and steel scrap schedule, designed to bring it into closer conformity with established trade practices.

In addition, an experimental program designed to encourage movement of "remote" scrap to steel mills and foundries was launched Sept. 26. The program allows considerably higher shipping point prices for "remote" scrap, and permits consumers to pay greater transportation charges to their plants.

• **Price Policy**—Subsequent amendments to the aluminum, nickel, copper, and brass scrap schedules have all pointed toward an OPA policy of conformity to trade practice in order to bring out the largest possible quantity of secondary materials, but pegging of scrap to primary material prices has become axiomatic in all schedules. In the case of the zinc scrap schedule, ceiling prices were revised upward immediately, following OPA allowance of one cent a pound increase in primary zinc prices.

• **Crackdowns**—Uncertainties as to the status of the pending price control bill have complicated the problem of enforcing OPA ceilings on various kinds of scrap, but the recent crackdowns on ceiling violators, and subsequent restitution by at least six dealers of amounts received on over-ceiling sales, have definitely cleared the air. Price officials believe that final enactment of the price bill will end any speculative withholding of scrap by dealers.



Backbone of defense—that's steel. And from start to finish Yellow Strand Preformed Wire Rope helps mightily to make, fabricate and conserve this vital material. Itself made of highest quality steel wire, drawn to our specifications, Yellow Strand sets in motion other equipment—also of steel—which mines the ore, pours the molten metal, handles machinery and finished products in the mill.

Here's rope with stamina that keeps heavy-duty shovels, hoists and rigs working at top efficiency. Fortified by preforming, Yellow Strand responds instantly, runs smoothly and stoutly resists fatigue. When you install it, *all* National Defense gains through man-hours saved—speedier operations—fewer replacements. Preformed Yellow Strand *lasts longer* and makes *equipment last longer*, thus releasing steel for other urgent needs.

As wire rope answers roll call in army, navy and industry, our production drives ahead in full coordination with priorities. B & B factories and distributors know the responsibility attached to Yellow Strand and Yellow Strand Slings in crowded defense schedules. You'll find us cooperating to the limit to supply you.

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OPM Hits Home

Curtailment ax falls on washers and ironers; vacuum cleaners in line. Move doesn't wait for "irreducible minimums."

Washington's new scheme for rationing civilian industries was still in the works this week (page 7), but it was obvious that OPM wasn't going to hold up the issuance of limitation orders, pending the establishment of those "irreducible minimums" for civilian goods (BW-Nov.1'41,p16). Three industries stood in the line of fire. Washers and ironers were hit first last week (BW-Nov.1'41,p8), and vacuum cleaner manufacturers immediately prepared themselves for a cut of at least 10%; metal furniture producers knew their cut would be far steeper.

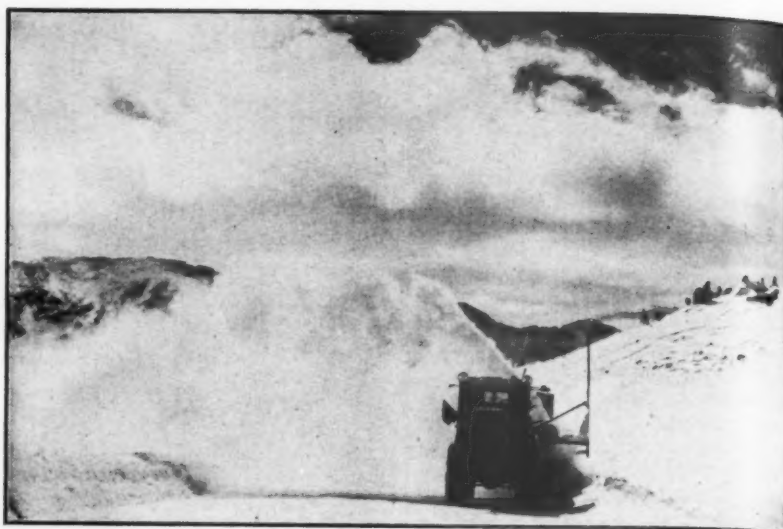
Washer and ironer quotas fix average monthly production for the industry at 164,410 units—if past trends are followed, 90% will be washers—for the last five months of this year. This is 17.3% below average monthly factory sales for the year ending June 30, 1941—base period for calculating quotas—but only 9% below the output average for the same five months last year.

However, OPM's quota wasn't forthcoming until three of the five months for which it is effective were past and gone. That means that, unless washer and ironer manufacturers trimmed their sails in August, September, and October, there are going to be some drastic production slashes in the last two months of this year.

● **Voluntary Cut**—Although production figures aren't yet available, it's known that some manufacturers, aware that the quota was coming, began consciously cutting down output in August, so that a violent, year-end dislocation probably has been avoided. Evidently washer and ironer companies profited by the experience of the refrigerator industry. When an Aug. 1-Dec. 31 quota was issued for refrigerators early this month, some manufacturers were badly caught.

As with refrigerators, the washer and ironer cut is scaled to fall most heavily on those considered best able to bear it. Manufacturers with an average monthly production of 12,000 units or over for the base period will be cut 20%; those with a production under 1,200 units, not at all. Other classifications fall in between.

● **OPA Takes Pity**—It's noteworthy that washers and ironers came in for only a 17.3% cut, as against a 43.2% cut for refrigerators. Originally, the industry was slated for a 30% slash (BW-Aug. 2'41,p28). Report is that the Consumer Division of OPA interceded on the ground that washers and ironers—par-



TUNNEL ON LOVELAND PASS

The snow plows have already started working this fall on Colorado's Loveland Pass—60 miles west of Denver on U.S. Highway 6, on the shortest route over the mighty pile of the Front Range of the Rockies—and one increasingly used by commercial traffic. The pass is so high (11,992 ft.) that it costs thousands of dollars to keep it open in winter. This year, though, the state is going to bore a

one-mile tunnel which will cut off four miles of road and eliminate a number of turns and switchbacks, and provide an all-winter, weatherproof passage. A pilot bore 7 x 7 ft. is to be put through first. Total cost of the tunnel—which will enter the mountain at 11,260 ft. at the eastern end, 11,315 ft. at the western—will be \$1,450,000; engineers say it will save its costs in lessening maintenance expenses, as well as in gasoline and wear and tear to highway users.

ticularly the former—are poor man's appliances.

Sales figures bear this out. Compared to other divisions of the home appliance industry, the washer and ironer business is pretty stable. In the depression years it was kept on its feet by new customers in the white-collar class who were no longer able to afford commercial laundry service. In the present boom, the industry has increased its sales to wage earner families, but it has also lost some customers to the laundries.

● **Steady Keel**—In the 1940-41 base year, electric refrigerator sales showed a 37.03% increase over the same period in 1939-40, an 86.35% increase over 1938-39. Electric range sales jumped 51.93% over 1939-40, 96.60% over 1938-39. But sales of gas and electric washers increased only 26.18% over 1939-40, 40.13% over 1938-39. Unit sales of electric washers fell off badly in only one depression year, 1932.

To make the production quota easier for the washer and ironer industry to take OPM certified it to the War Department as a whole, and a \$12,000,000 order for gun mounts was immediately forthcoming (BW-Oct.25'41,p7). This marks the first time that an entire industry has been certified. Three large companies—Nineteen Hundred Corp.,

St. Joseph, Mich.; Apex Electrical Manufacturing Co., Cleveland; Easy Washing Machine Corp., Syracuse, N. Y.—will be the prime contractors, farming out the order to the other 31 manufacturers in the industry. Three or four washer companies—notably Maytag, with the biggest dollar volume in the field—already have landed defense orders on their own.

● **Find Substitutes**—Along with the production cut, OPM's Division of Civilian Supply is asking washer manufacturers to limit their use of critical materials, via redesign and substitution, and to reduce the number of models in their lines. Almost all manufacturers are now using plastic instead of aluminum agitators.

CO-OP CAMPAIGN OKAYED

Meeting in Indianapolis last month, the Board of Directors of the Cooperative League of the U.S.A. formally passed the resolution to raise a \$50,000 advertising fund to publicize the co-op movement (BW-Sep.20'41,p28). The League is adopting the slogan "The Co-ops need 50,000 \$1-a-year men" to raise its promotion kitty via voluntary contributions. When the \$50,000 is amassed it will be poured into radio—probably a program on a major network.

MARKETING

Accent on Repair

RCA advertising and new appliance services of utilities are indications of trend resulting from raw-material curtailment.

Last month, in Collier's magazine, the RCA Manufacturing Co. launched a series of advertisements plugging radio repair services. The first ad stressed desirability of keeping old radios operating efficiently "in view of present limitations on the production of new receivers."

In New York City, Consolidated Edison Co., is preparing to set up a subsidiary company that will establish service centers to which Consolidated customers can bring their ailing appliances for repairs. A southern utility, New Orleans Public Service, has tied up with local appliance dealers instead of going into the repair business itself. Cooperating dealers are allowed to display signs which identify them as "Certified Repair Shops," and the utility is advertising their services.

• **Weathercocks**—These, and other, straws in the wind indicate that before long a full-fledged boom is going to hit the repair business. The logic of the situation is plain. When there's enough and to spare of all raw materials, repair and replacement part services are pretty much relegated to a stepchild role. An appliance manufacturer isn't going to concentrate on selling Mrs. Jones a new mechanical unit for her old refrigerator. When the unit pegs out he seizes the heaven-sent opportunity to persuade her to junk the old refrigerator entirely and invest in a brand new, super de luxe model, just off the assembly line.

• **Promote Good Will**—Right now, however, there aren't enough raw materials to go around and, as the defense program gains momentum, the pinch will become increasingly tight. Pretty soon things may reach a point where the manufacturer won't be able to sell Mrs. Jones a whole new refrigerator. But he wants to keep her a happy and satisfied customer, so he'll do what he can to fix the old refrigerator and keep it in good condition until he can replace it.

Patching up the old refrigerator not only will bring the manufacturer Mrs. Jones' good will, it will also help him keep the friendship of his local dealer, who, of course, will handle the repair job. Campaigns like RCA's are one way of throwing a little trade in the way of dealers to whom the manufacturer can

no longer supply full quotas of new merchandise.

• **Help Dealers**—Public utilities, like appliance manufacturers, want to keep dealers in business. Moreover, if appliances go unrepaired and fall into disuse, the utility will suffer via a reduced consumption of its services.

The repair business, however, hasn't changed overnight from a stepchild to a fair-haired boy. It will be some months before present stocks of new goods are exhausted in enough lines to foster a real boom. When it comes, of course, the boom will not be limited to the household appliance field. It has come first there because shortages have come first there.

Blast at A-B-C

Canners' booklet betokens hard drive against grade labels. Pacific Coast may become big battlefield; legal test seen.

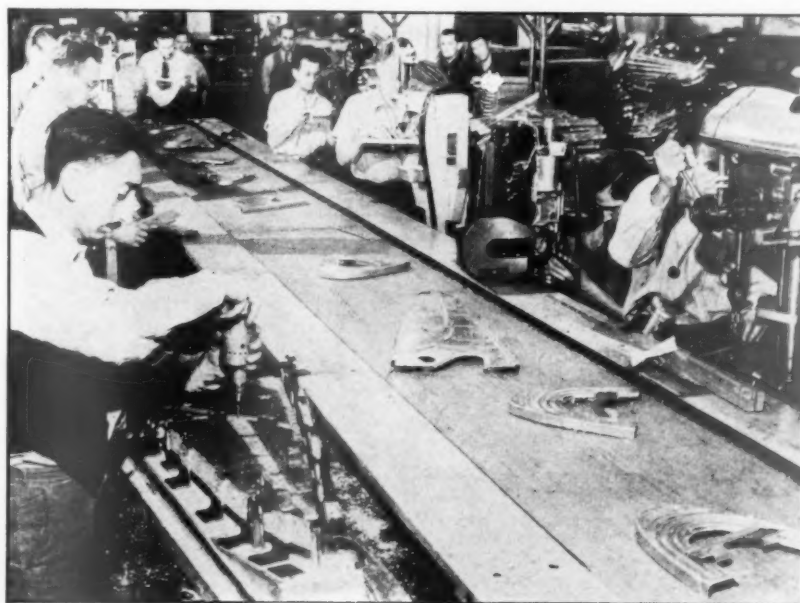
Any thought that the National Canners Association was going to let its case against A-B-C grade labeling of canned goods rest with Elmo Roper's

study of what 7,500 housewives thought about them (BW—Jul.26'41,p26) can be discarded. It is now plain that the Roper survey was just a factual springboard for jumping off into the job of selling the public the canners' alternative to A-B-C grades—descriptive labels.

As evidence of this, the association released this week a 33-page booklet, "Canned Food Labels That Meet Consumer Needs," compiled by Happer Fayne, who left the promotion staff of Good Housekeeping magazine last winter to engineer the campaign for descriptive labels. A synthesis of all the arguments for these and against A-B-C grades, the booklet is obviously an opener in a hard-hitting drive.

• **New Grade Labelers**—Simultaneously with the publication of the association's bulletin, reports leaked out that grade labeling soon might gain more adherents. Paul M. Williams, chief of the U. S. Department of Agriculture's Agricultural Marketing Service, indicated that more western canneries might be brought under the service's grade labeling-continuous inspection plan next year.

Under the AMS program, a plant which pays for the fulltime services of a government grader and inspector is entitled to label its cans not only "Grade A," or "B," or "C," but "U. S. Grade A"—or whatever. Two California canneries, Schuckl & Co. and U. S. Products Co., were the first packers to take advantage of the AMS plan (BW—Jul.



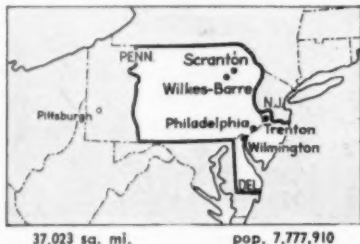
MARTIN CONVEYOR LINE

The Glenn L. Martin Co. factories in Baltimore, Md., have set up a mass-production technique new to aircraft manufacture—a belt-conveyor line along which all machine and hand op-

erations necessary in the making of certain subassemblies are concentrated. The line has already cut man-hours on these subassemblies in half; even more savings are expected when the system is used throughout Martin plants to speed bomber production.

The Regional Market Outlook

PHILADELPHIA (Income Index—130.3; Month Ago—129.9; Year Ago—110.3)—As in the nation, over-all production in this compact, industrial district has been leveling off (BW—Nov. 1 '41, p13). Textile and steel operations have reached virtual capacity, and hosiery and automobile output have slowed down (BW—Sep. 6 '41, p40). Also, anthracite mining has declined—in compensation for overbuying last summer occasioned by the widely-heralded threat of a fuel



37,023 sq. mi. pop. 7,777,910

CHICAGO (Income Index—140.2; Month Ago—137.5; Year Ago—117.5)—Arms and priorities are the dominant industrial influences in this Reserve district. They tend to offset one another, but, on balance, aggregate payrolls are likely to taper, temporarily, through the winter (BW—Oct. 11 '41, p54). Among latest developments are (1) contracts for aircraft facilities at Indianapolis, a powder plant at Merrimack, Wis., and a shell factory at Rockford, Ill.; (2) curtailment in the washer, stove, and farm-machinery industries.

Consequently, sales prospects for many individual cities are uncertain. Aviation work is accelerating at South Bend, Ind., for instance, while output of autos and similar durable consumer goods is falling off. At Peoria, Ill., tank parts employment is rising, but washer payrolls are declining. Of the larger centers, Milwaukee and this city are apt to do better than Detroit.

SAN FRANCISCO (Income Index—147.9; Month Ago—146.1; Year Ago—118.3)—Under the impetus of defense, employment in this Reserve district is continually expanding. Gains over 1940 range from 5% in petroleum refining to more than 200% in shipbuilding, and the opening of new plants in coming months promises further gains.

Lumbering may prove the single major priorities casualty here (BW—Sep. 6 '41, p40). SPAB's order curtailing non-



685,438 sq. mi. pop. 11,280,195

oil shortage. But operations of district arms factories forecast continued income gains.

Of growing importance in armament is the Harrisburg-York-Lancaster-Lebanon four-county area, with a population of 650,000 and some 100,000 industrial workers. Nearing completion are new steel mills at Steelton, an army depot at Marietta, and an ordnance plant at York. Awards for new factory space and increased pooling of facilities on defense work (BW—Sep. 6 '41, p18) should lift payrolls and retail sales in urban centers there. Broader expansion in industrial income, however, can be expected in this city and its environs—Norristown, Coatesville, Lester, etc.

Rural receipts are rising along with agricultural prices. But, because of drought damage to pastures and increases in rural wage rates, farmers in this district are not faring as well as factory hands.

Farm income continues to gain. Dairy receipts—in Wisconsin and the big-city milksheds—are up sharply, but now the hog-raising areas in Iowa and Illinois are reaping returns from increased output and excellent feed-corn crop. Rural retail sales gains over 1940 are beginning to run better-than-average, particularly in Wisconsin and Indiana. During coming months of priorities dislocations here, agricultural income may well outstrip urban.



190,446 sq. mi. pop. 19,406,389

defense construction may restrict operations in what is normally the Pacific Northwest's largest industry. But limitations on automobile, refrigerator, residential building, or other durable consumers goods here will create only minor dislocations.

Arms work is concentrated in the coastal industrial cities; and even though farm receipts are steadily rising, sales and income gains over a year ago are lagging in such California agricultural centers as Santa Rosa, Sacramento, Modesto, San Jose, Salinas, Fresno, Bakersfield, San Bernardino, and Santa Ana. However, Washington-Idaho wheat receipts have doubled 1940's, lifting retail trade in and around Spokane, and in the coastal farming area of central California, army camp payrolls have pyramided business gains. Rising demand for fruits, vegetables, livestock, and dairy products promise further improvement in rural prospects generally.

6'40, p44). In the current season, other small and middle-sized western canneries have come in on it—Bercut-Richards Packing Co., Sacramento; Spencer Packing Co., Yakima; Washington Canners' Cooperative, Vancouver, Wash.; Utah Canning Co., Freewater, Ore.

● **Coast Battleground**—Since opposition to A-B-C grades likewise centers in a group of western canneries (mostly big fellows), it looks as though the Pacific Coast may become the big battleground. The Coast may also provide the legal test of labeling which FDA officials have been seeking. Such a test was expected to develop in Philadelphia, when it looked as though American Stores Co. would contest an FDA seizure of canned corn (BW—Aug. 16 '41, p52).

Indications now are that American won't fight, but Haas, Baruch & Co., Los Angeles wholesale grocers, may contest an FDA seizure of peas labeled "Fancy" (which FDA holds to be equivalent to Grade A). The peas, bearing the wholesalers' Iris label, were packed by Rogers Canning Co., Freewater, Ore.

Hosiery Readjusts

Industry now operating at 75% of normal capacity. Output of rayon full-fashioned rises 56% in September.

Figures released this week by the National Association of Hosiery Manufacturers are too incomplete to show just where the hosiery industry now stands in the wake of last summer's silk stocking crisis (BW—Aug. 9 '41, p24), but they are a pretty fair indicator.

The August panic and defense spending combined to push manufacturers' shipments of all types of hosiery to a record nine-month high—112,748,337 pairs, an increase of 15% over the same period in 1940. Despite gloomy predictions, shipments of women's full-fashioned hosiery (the section of the industry most affected by the silk pinch) fell off only fractionally immediately following the panic—from 3,831,534 pairs in August to 3,758,277 in September.

● **Stretching Materials**—As expected, production of all-silk stockings dropped sharply, as manufacturers sought to stretch supplies by combining silk legs with cotton and rayon welts. Production of all-nylon stockings also dropped slightly (for the first time since they were introduced to the public), as some nylon likewise was deflected for combination with other fibers. But production of rayon full-fashioned increased 56% in September (over August), of cotton, 170%.

October figures are expected to be less optimistic. Estimates are that the hos-



Outright leadership in style with downright savings every mile

YOU don't have to sacrifice distinction in your 1942 motor car in order to cut down substantially on your motoring costs.

This beautifully flight-streamed, big, new Skyway Series Studebaker Commander is the answer. It's America's standout style car for 1942—a delight to drive and a marvel of riding comfort. Yet because Studebaker's brilliant engineers have streamlined all excess bulk out of its sound, solid structure, it

operates with gasoline and oil economy that would be a credit to a lowest price car.

And Studebaker is steadfastly maintaining its long-established record for fair pricing by offering this smooth-performing Skyway Series Commander at a figure that is decidedly moderate by every comparison.

See and drive it now at your local Studebaker dealer's. If you wish, you may use your present car as part payment. C.I.T. terms.

For America's Defense

Studebaker is building an unlimited quantity of airplane engines, military trucks and other matériel

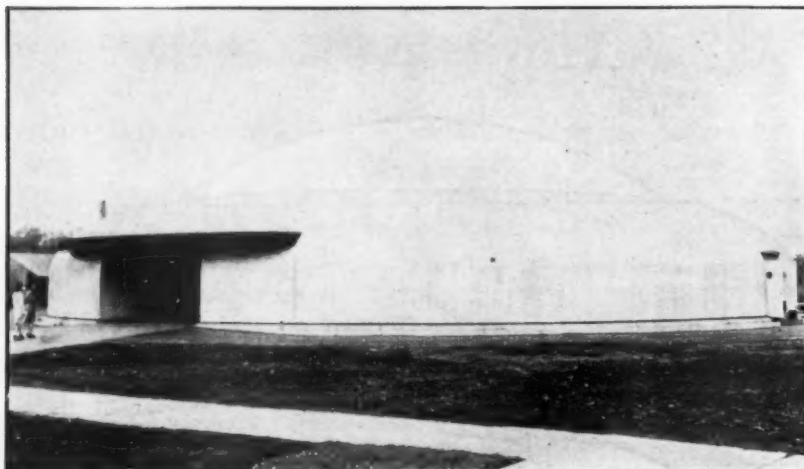
NEW 1942 SKYWAY SERIES
STUDEBAKER COMMANDER

10-27-41

tery industry is now operating at only 75% of normal capacity. Retailers are afraid that it will require much publicity and many improvements to persuade women to take to silk substitutes (other than nylon). Retailers and manufacturers alike bewail the fact that there will be almost no fine, full-fashioned silks left for the Christmas gift trade. Nylons will be available, but the expectation is that the minimum retail price on fine deniers will have risen to about \$1.95.

CUTTING DOWN ON DEALS

Assorted happenings of the past few weeks indicate that the use of premiums, give-aways, one-cent sales, and all such merchandising hypos is headed for a serious decline. Notably, Lever Bros. has announced that, as of Jan. 1, it is through with across-the-counter deals. Colgate-Palmolive-Peet has indicated that it will follow Lever's lead. Since the soap industry has vied with cereals as the No. 1 user of "something for nothing" sales techniques, the grocery and drug trades figure that deals are on the way out. The move against deals is not confined to manufacturers. The big Safeway grocery chain is letting it be known that after the first of the year it will not buy on the basis of premiums or other special promotions and that this policy almost certainly will apply to all merchandise, not just soap. Though the trades believe the soap companies' action is primarily the result of rising production costs, it's plain that Safeway's ban on deals comes simply because it doesn't consider them good merchandising—not at least in a period of strong consumer buying such as the present.



TAKES ITS OWN MEDICINE

The Chicago Bridge & Iron Co. was the originator of the Hortonspheroid tank—used widely for storing oil and water. Now it's applying its own construction technique to one of its

PRODUCTION

Shapes to Come

Some steel producers fear structural simplification will be lasting boon to nonferrous competitors in building field.

In a quick but not unexpected move last week, the Office of Production Management announced "an industry-wide move for the simplification of structural steel shapes," affecting the materials situation for the construction, railroad, and shipbuilding industries primarily, and every other industry with varying intensity.

The announcement took the form of a "request" to all steel producers signed by A. D. Whiteside, chief of OPM's iron and steel section. Purpose is "to avoid tying up mills with small miscellaneous rollings for odd-size beams, channels, and angles." Though the number of angle shapes will be reduced 50% (and wide flange beams, light beams, junior beams, standard channels, ship-building and car-building channels, H-beams, Zees, Tees, etc., in almost similar proportion), all the hundreds of shapes, sizes, and weights regularly used in ships and cars and buildings are retained. To allow time for the producers to get rid of present stocks of shapes cancelled by the request, Feb. 1, 1942, is made the effective date.

• **A Goal Achieved**—All but the smaller

steel producers, whose profitable peacetime operation frequently depended on their ability to roll short runs of odd shapes, hail the move with satisfaction. Big producers point to 20 years of effort toward structural steel simplification and standardization, now brought to a realization far more complete than would have been possible without the pressure of war-time demands for their facilities.

Since blast-furnace capacity is at a premium, the producers regret that the new schedule of sizes will call for about 5% more steel (an architect designing a building will in the interests of safety always go from an unavailable light beam to a heavier one that he can get), but believe that all-over steel production will in the long run be increased by larger volumes of standard shapes.

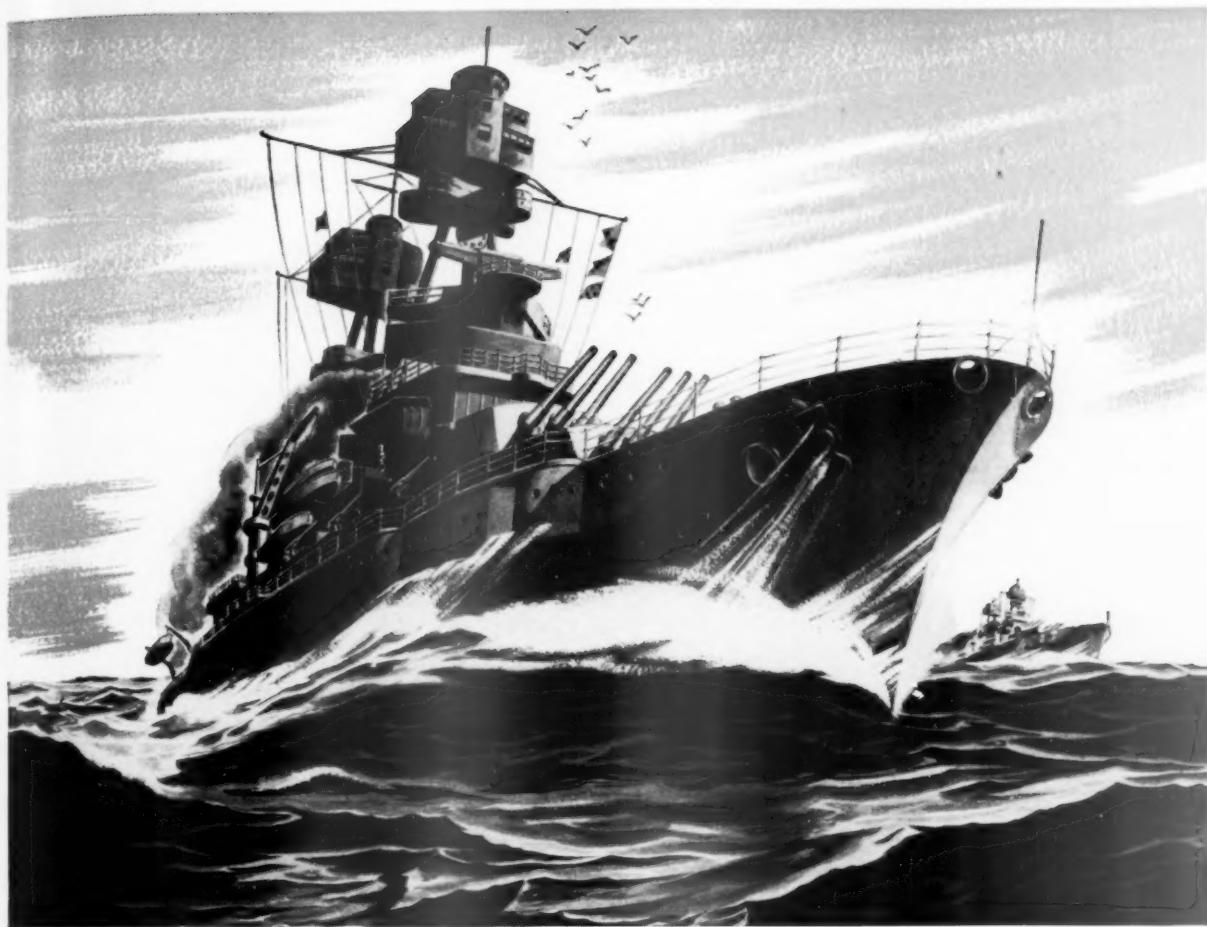
Several smaller producers, on the other hand, are pretty frankly worried about the encouragement that the limitation of steel sizes will give to concrete, timber, brick, plywood, and other types of nonferrous construction. Any mention of concrete ships, airplane plants built entirely of wood, and successful multi-story, buildings without a steel beam or upright in their construction, gives them pains where they hurt the most.

• **Timber Construction**—For a time it looked as if timber construction would be confined to big timber-producing areas like the Northwest, as at Tacoma, Wash., where the Seattle-Tacoma Shipbuilding Corp. built 103,200 sq. ft. of practically all-wood buildings in which to build five 6,800-ton freighters for the U. S. Maritime Commission. (Or in British Columbia, where the Boeing Aircraft Co. of Canada, Ltd., erected over 200,000 sq. ft. of airplane plant without benefit of steel, beyond nails and bolts and timber connectors.) But when timber construction moved east to Harvey, Ill., right next door to a principal steel-producing area, for the 36,000-sq. ft. Buda diesel plant—erected in six five-day weeks from the day the architect started on his plans—the local steel producers, though loaded to their steel rooftrusses with defense work, began to "view with alarm" the possible trend away from steel.

Old-timers know that vogues in building materials are almost as capricious as women's hats.

• **Experimentation**—Back of the trend toward wood, if there is one, lie countless hours of research and experimentation by public agencies like the Forest Products Laboratory and private ones like du Pont's wood preservation laboratories, the Weyerhaeuser lumber utilization laboratories, and the Timber Engi-

own buildings—a lunchroom for employees. The building is made of "dished" plates, only $\frac{1}{8}$ in. thick, welded on the job. Hailed as the first steel building without beams or supports, it is 108 ft. in diameter, 28 ft. high, fire-, sound-, and heatproof.



Ships of Destiny

-VALVES HELP BUILD AND SAIL THEM

TOMORROW'S history is in the making in America's shipyards. Down their ways come ships for defense and ships for commerce—at a pace without precedent!

Giving life to these ships are their intricate pipe lines and the valves controlling them. Like any industrial plant, a ship depends on steam, water, oil, air, and other fluids, for power, sanitation, and fire protection.

Thus, it takes valves—as many as 3000—to operate a single ship. And it

takes thousands more to operate the shipyard that built it.

So it is in every industrial plant—no matter what it makes. Valves control its power and process lines; on them depends the quality and the speed of production.

Any wonder so many plants—big and small—standardize on Crane valves and fittings—whose quality and design have been proved and constantly improved for over 85 years?

In today's emergency, Crane offers

your plant valuable aid toward better service from piping equipment. Crane Shop Bulletins are designed to guide your maintenance workers in properly installing and servicing valves and fittings. They help train new men.

Your free supply of Shop Bulletins is available from your local Crane Representative. Phone or write for them today.

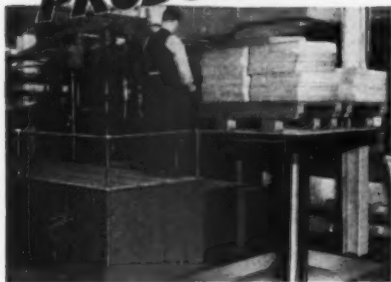


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A workman, feeding a machine in a production line, is most efficient when he stands and works comfortably erect. Force him to stretch or to stoop, and he will become tired quickly, and slow up. Loading plants are using Globe hydraulic lifting platforms which keep materials moving at the most convenient working level — and thus speed up production, prevent fatigue, and reduce accidents. Write today for illustrated bulletin on Globe Production Lifts.

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neering Co.'s timber-connecting laboratories. Out of them have come new types of roof construction making possible unsupported spans as long as 160 ft., new timber bridge and factory designs, wood preservatives that give protection against rot and termite and—to a considerable extent—fire, and new methods of assembling large timbers and panels out of smaller pieces of wood with waterproof synthetic resins and adhesives.

Creosote as a wood preservative is anything but new, yet there have been developments in its formulation and application that give practically unlimited life to all types of outdoor timber construction.

• **Application Methods**—Huge pressure cylinders force the characteristic black or brown material to the uttermost pore of long piles, railroad ties, and timbers, but lest the treatment not be sufficiently far-reaching, there is a pressure gun to pump more creosote into bolt and screw holes.

The fact that creosote is dark in color and does not lend itself to painting and other types of refinishing has led researchers into developing efficient protective treatments that do not discolor the wood to any appreciable extent. Some of them, like chromated zinc chloride and sodium fluoride, can be painted over as though there had been no wood treatment whatever.

• **Concrete Buildings**—No less worrisome to steel producers are concrete buildings which not only use no steel uprights or beams, but replace orthodox heavy steel reinforcing with comparatively light-weight steel wire (and experimentally with rods of tough glass). Crowning insult in the view of many steel men was a 22-story apartment building in New York which was designed for steel construction. The builders couldn't get deliveries, their architects redesigned for concrete, and the work went ahead at the rate of two stories per week up to the 16th story. Then they got some steel for the upper-story set-backs and built the final six stories according to the original design.

GAS PEPPER-UPPER

It was called a "gasoline deodorizing process" when Robert H. Colley, president of Atlantic Refining Co., announced it through his researchers attending the American Petroleum Institute's annual meeting at San Francisco Thursday, but it's more than that. It not only removes all mercaptans (the objectionable sulphur compounds which give the skunk his bad name) in untreated gasoline, but at the same time raises the octane rating of gasoline and reduces the quantities of Ethyl fluid necessary to achieve the ultimate in octane.

Until now the petroleum industry has

mainly relied upon chemical neutralizers for "sweetening" gasoline, but these and the mercaptans combine to reduce the effectiveness of tetraethyl lead additions. The new process, which will be licensed to other refiners, utilizes a solvent consisting of water, caustic soda, and methanol.

MOBILE POWER PLANTS

To supply emergency power wherever the Navy's many construction projects or bases might require, the Bureau of Yards and Docks last week ordered two 10,000-kw. mobile steam electric-power plants mounted on special railway cars. According to the General Electric Co., which is going to build the mobile units, they will be the first of their kind, although turbine generators, boilers, and electrical equipment will be of standard types.

The Navy will base one of the railway power plants on the West Coast, the other on the East Coast. Each of the units is designed so that it can be hauled at speeds up to 40 m.p.h. and can be ready for use within 24 hours after being shunted on a siding.

ANNUAL PLASTICS AWARD

Individuals in the plastics industry had a new mark to shoot at this week when Charles A. Higgins, president of the Hercules Powder Co., announced establishment by his company of the John Wesley Hyatt Award, to be given annually to the "individual rendering the most distinguished service in the field of plastics." The award—named after the inventor of the Hyatt roller bearing—consists of a gold medallion and \$1,000.

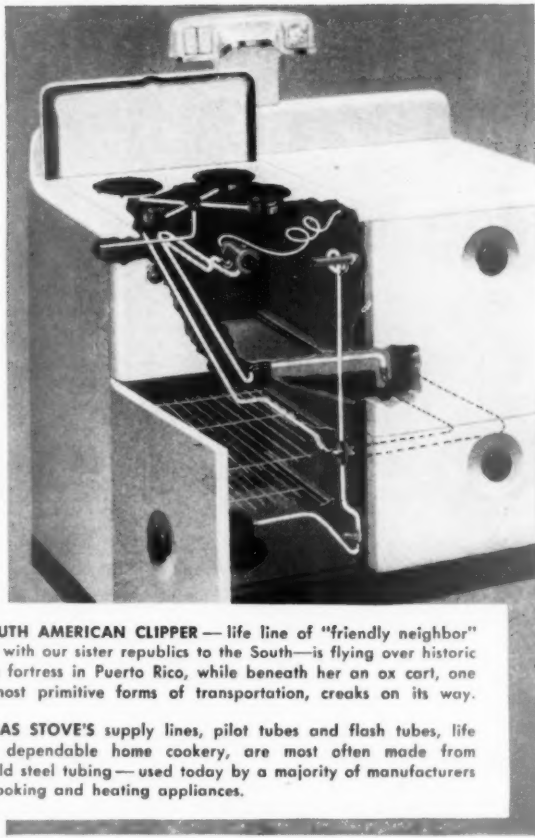
Administration of the project is in the hands of a committee, members of which are not connected with Hercules Powder, and rules for contestants seeking the prize will be formulated at its first meeting next month.

NEOPRENE BIRTHDAY

No formal celebration marked Nov. 2, the tenth anniversary of the production of neoprene, the synthetic rubber-like substance known first as "Duprene." Instead, the officials of E. I. du Pont de Nemours and Co., still sole producer of neoprene, dug in to increase production, which has grown from a start of 250 lb. per month to a present 1,500,000. Next year, when a new plant is scheduled to go into operation, the goal is set at 3,500,000 lb.

Applications of the substance, which has unusual resistance to oil, sunlight, and various chemicals, range from household gloves and automobile parts to a long list of vital defense uses headed by gasoline-proof linings for bulletproof airplane tanks.

FAMOUS LIFE LINES



- 1 THIS SOUTH AMERICAN CLIPPER — life line of "friendly neighbor" relations with our sister republics to the South—is flying over historic El Morro fortress in Puerto Rico, while beneath her an ox cart, one of the most primitive forms of transportation, creaks on its way.
- 2 YOUR GAS STOVE'S supply lines, pilot tubes and flash tubes, life lines of dependable home cookery, are most often made from Bundyweld steel tubing—used today by a majority of manufacturers of gas cooking and heating appliances.

TODAY, Bundy tubing is accepted as standard among gas appliance manufacturers, just as it long has been in the automotive and refrigeration industries. And today, thousands upon thousands of these gas appliances are for defense housing projects and army camps.

This is but one of the ways in which more and more of Bundy's production goes into defense. Tanks, and jeeps, and half-tracs and trucks—all the dozens of types of motorized army equipment—use Bundy tubing for fuel lines, oil lines, hydraulic brake tubes, conduits.

Other Bundy tubing goes into primer lines for air-

Acme

craft and marine motors, into radio aerials, into ground flares, parachute rip cord grips, and dozens of large and small parts for all kinds of defense equipment.

For defense manufacturers—who after all are but a cross-section of peace-time manufacturers—know from experience that Bundy tubing is the *right* tubing for strength, for ductility, for resistance to vibration fatigue.

If you use tubing in Bundy's sizes, you will want to know Bundy's story, whether you buy commercial lengths or want Bundy to take the tubing fabrication job right off your hands. Bundy Tubing Co., Detroit.

BUNDY TUBING



BUNDYWELD double-walled steel tubing, hydrogen-brazed, copper-coated inside and outside. From Capillary sizes up to and including $\frac{1}{2}$ " O. D. This double-walled type is also available in steel, tin-coated on the outside, and in Monel.



BUNDY ELECTRIC WELD steel tubing. Single-walled—butt welded—annealed. Also furnished tin-coated outside if desired. Available in sizes up to and including $\frac{3}{4}$ " O. D.



BUNDY "TRIPLE-PURPOSE" MONEL tubing. Double-walled, rolled from two strips, joints opposite, welded into a solid wall. Available in all Monel, Monel inside—steel outside, and Monel outside—steel inside. Sizes up to and including $\frac{3}{4}$ " O. D.

NEW PRODUCTS

Ozone Water Purifier

The new Sterozone Water Purifier, a self-contained electrical unit for automatically purifying up to 9,000 gal. per hr., uses no chlorine or other hard-to-get chemicals. Instead it pumps raw water from any source through a filter, to remove suspended matter, and an absorber chamber, where ozone generated by a silent high-frequency discharge "burns out" any bacterial contamination, and



delivers pure water without taste or odor of any kind. For construction camps, army maneuvers, etc., Technicraft Engineering Co., 5610 S. Soto St., Los Angeles, mounts the unit on a truck and adds a gasoline-driven power plant be-

tween the unit and the truck cab. For industrial and municipal use, one or more of the units may be connected singly or in parallel to any 220-volt, 3-phase power source.

Odorless Lubricant

Formulated especially for lubricating the moving parts in baker's ovens, Kano Ovenoil has many other applications where complete freedom from odor is desirable. Norwood Products Co., 75 E. Wacker Dr., Chicago, compounds it with Acheson "dag" colloidal graphite and an odorless carrier which burns off leaving "graphoid" bearing surfaces capable of providing lubrication at temperatures up to 1,800 F. Since the graphite is colloidal, and clings to bearings, there will be no burned carbon flakes floating around to spoil the appearance of food products, baked enamels and lacquers, drugs, etc.

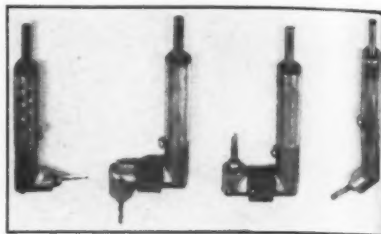
Truck Seat

Some months ago, Hickman Pneumatic Seat Co., Eden, N. Y., developed the Hickman Full-Floating Truck Seat whose patented construction causes the back and bottom cushions to move in unison. A smoother ride for the driver

results in smoother truck control and less strain on mechanical parts. Wear and tear on cushion covers and clothing are minimized. Now the company is bringing out a new cab-over-engine model designed to fit practically all vehicles of that type.

Angle Drill Attachments

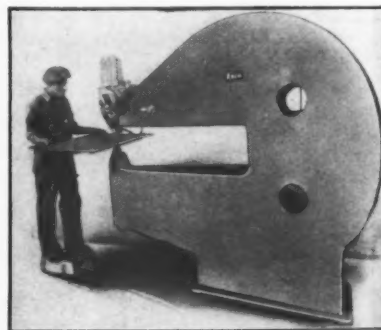
No matter how carefully a product designer does his job, there are almost always spots to be drilled or reamed or




tapped that are too constricted for a standard portable power drill. It is to solve such problems of operation and repair that Invincible Tool Co., Citizens Trust Bldg., Fort Wayne, Ind., is bringing out a wide range of Angle Tool Attachments for various sizes of standard portable drills. The left-hand one operates at a 90-deg. angle; the right-hand at 45 deg. The two in the center show two positions of one attachment that can be adjusted to any angle in a vertical plane.

Automatic Riveter

When two pieces of sheet metal are to be joined as in aircraft work and many other industrial operations, the




new C-frame, 48-in. throat Erco Riveting Machine punches and countersinks the hole, inserts and heads the rivet in one continuous cycle. A spotlight indicates the exact location for the rivet; a remote foot control may be shoved about the floor to suit the operator's convenience and comfort when he is working on large and irregular pieces. As manufactured by Engineering & Research Corp., Riverdale, Md., the outfit handles solid rivets up to $\frac{3}{8}$ in. diameter and $\frac{1}{2}$ in. long, depending upon the metal to be joined.



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CHEMICAL EXPOSITION, ARE YOU?"**

**"YES, IT'S ONE THING THAT'S BIG
ENOUGH TO GET ME AWAY FROM THE JOB!"**



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At this timely and vitally important Exposition, you will find a wealth of new ideas and new products that will help to solve today's most pressing problems of procurement and production.

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est Chemical Industries Exposition in more than a decade, and one of the most important of all time. The exhibits and demonstrations; the specialists available for consultation; the variety of new methods, equipment, appliances and materials—all are certain to clear away many of your current worries.

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GRAND CENTRAL PALACE, NEW YORK, DEC. 1-6, 1941
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DEDICATED TO SPEEDING UP AMERICA'S INDUSTRY FOR THE DEFENSE PROGRAM



THEY FOUND MORE THAN THEY KNEW

• The Spanish explorers saw in what is now the Gulf South only part of the wealth of the vast new empire they found. Undiscovered—and produced centuries later only at great cost in money and effort—was such a reservoir of energy as would eventually help make America industrially supreme!

Today that energy—Natural Gas—is available to Gulf South industries in abundance at a thousand and one plant sites. Also

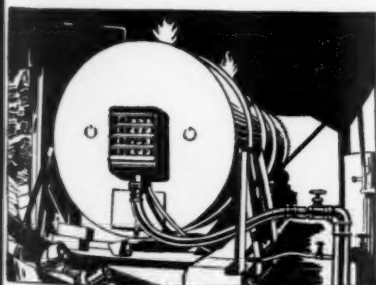
available are vast natural resources and basic raw materials—a diversity of agricultural crops and millions of acres of pine and hardwood timber.

Add to these Gulf South industrial advantages white, reliable, intelligent labor—plentiful land—excellent schools—convenient transport by land, air and sea to fast-growing local, regional and

Pan-American markets—year-round mild climate.

Join the march of industry to the Gulf South. This Company's organization and facilities are available to industries interested in Gulf South opportunities.

Advise us of your requirements . . . without obligation we shall be glad to make a confidential survey for you.



This picture shows the simplicity of Natural Gas application to low temperature Fuller's earth and other clay drying kilns in the Gulf South.



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LABOR & MANAGEMENT

Cudgel for Union?

Seizure and operation of Air Associates plant leaves big question: Can organizers use new device to enforce demands?

The Army this week was operating the plant of Air Associates, Inc., in Bendix, N. J. It was the government's third exercise of military power in a strike situation since the "unlimited emergency" was declared. Although soldiers had left the plant of North American Aviation in California after a brief deployment and the plant's direction had immediately gone back into private hands (BW-Jun.14'41,p 14), the Army platoons which rolled out of Bendix left Army officers in charge. It looked as though Air Associates was going to be another Federal Shipbuilding case (BW-Aug.30'41,p 15), with government operation going on indefinitely.

Reason for such sharp action was a threatened five-state strike of United Automobile Workers Union (C.I.O.) locals in aircraft and aircraft parts plants. The general eastern states stoppage was planned by U.A.W. as a move to back up the Bendix strikers.

• **History of Tieup**—The Air Associates strike began originally as a dispute over an allegation that eleven men had been fired because they were active in the union, which had been certified as bargaining agent by NLRB. Since the company has orders for \$5,000,000 in aircraft parts—the tieup was almost immediately certified to the National Defense Mediation Board. NDMB, as is its custom, asked the strikers to return to work pending a hearing, and this the strikers agreed to do. But the company refused to take them back.

U.A.W. then informed NDMB that the strike was still on, and the Mediation Board called company officials to Washington. After a short parley, NDMB-company conferences broke off and NDMB tersely announced that Air Associates was the first employer ever to "walk out" on a NDMB session. Company representatives said that they had to hurry off to a meeting in the War Department.

• **Knudsen-Patterson Proposal**—Next was a settlement proposal by OPM Director Knudsen and Assistant Secretary of War Patterson. It provided that strikers were to be rehired immediately. For the second time, U.A.W. called off its strike, announcing acceptance of a government recommendation.

But more trouble developed over interpreting the Knudsen-Patterson terms. According to the union, it meant that strikers would be returned to their former jobs. According to the company, it meant they were to be taken back on the payroll in any capacity.

At this point, charging that it was "impossible to deal with Air Associates," U.A.W. called a meeting of its eastern officials to prepare for a regional walk-out. Convinced that the union was serious, the War Department sent three Army officers to supervise "reinstatement of strikers to their old jobs."

• **Violence in Plant**—Last week, as Army officers interviewed strikers and sent them, one by one, back to their work benches, there was bloodshed inside the plant. Nonstriking workers ganged up on returning strikers and administered severe beatings. The mêlée stopped all production. Col. Roy M. Jones, ranking Army officer on the scene, called Washington. The White House was informed and an Executive Order was issued directing Secretary of War Stimson to take possession of the plant and to continue to operate it "as long as may be required in the interests of national defense." By nightfall of Friday, Oct. 31, the Army could report the situation well in hand.

One aspect of the fracas stood out. The troops had not been sent because production had suffered—even the union admitted that the strikebreakers were turning out satisfactory work—but be-

cause U.A.W. threatened to call out members in other plants.

• **Secondary Strikes**—This is the familiar "secondary strike" tactic, but in the Bendix dispute it made its first appearance on a vast scale in national defense. If Bendix presents anything new, it is the suggestion that secondary strikes in defense industries will be large hereafter in a union's bag of tricks.

For example, the union may now believe that threatening the same five-state strike with Curtiss-Wright in Buffalo as its target (a plant in which U.A.W. now has an organizing campaign in progress) would induce the government to compel C.W. to yield to the union on pain of having its plant seized. Unless Washington makes plain that this is not the lesson to be drawn from Air Associates, the unions may consider the feat worth duplicating.

Labor Docket

Supreme Court will pass on seven important points, including secondary boycott and method of computing overtime.

The current session of the United States Supreme Court promises to be an important one for labor and management. Up to this week—and the Court is in recess until Nov. 10—the justices had agreed to review eight labor cases, and in so doing indicated that they would pass on seven points of law.

• **State Labor Relations Act**—In two cases, Hotel and Restaurant Employees



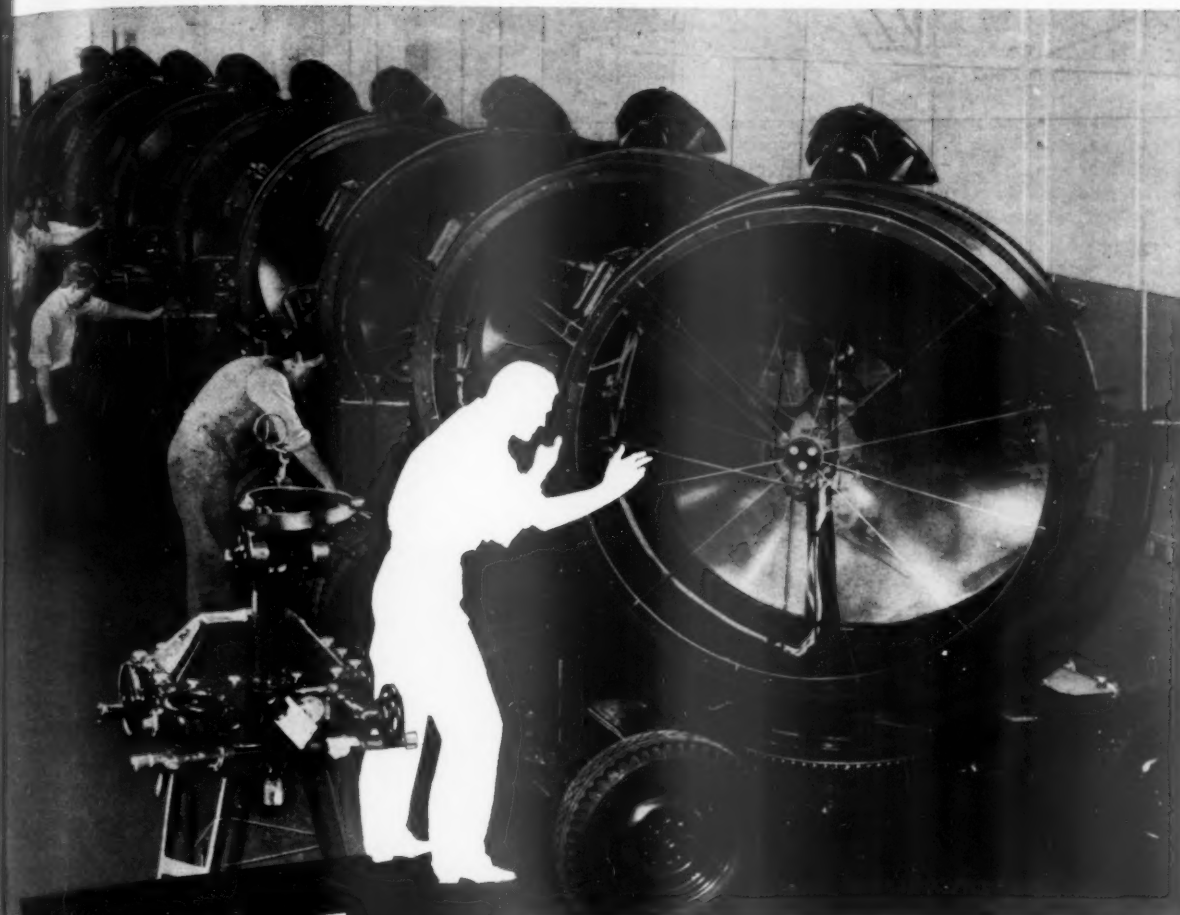
New bosses of the Air Associates plant at Bendix, N. J., are Col. Roy M. Jones (left), Eastern District Supervisor of the Army Air Corps Procure-

ment Division, and his assistant, Major Peter Beasley, talking over their new job with Anthony Grimaldi, C.I.O. organizer, outside the plant.

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THE MISSING MAN...

His illness costs your business and the nation:

- ... a week's production a year
- ... the full-time work of a million men
- ... time enough to build 164,706 combat tanks

ILLNESS keeps your men off the job an average of *one week each year*. This estimate is based on a U. S. Public Health Service report. Over half of this lost time is due to the common cold and its complications, several other studies indicate.

A recent N.A.M. survey shows that absences were cut 29.7% in firms which established health programs. In a good health program, soap, hot water and individual tissue towels retard the spread of illness.

"Soft-Tuff" ScotTissue Towels are now enjoyed by over 50% more workers, based on 1941 sales increases. When wet, "Soft-Tuff" towels have 10 times more rub strength than previous ScotTissue Towels, yet are soft as ever.

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For help in improving washroom hygiene, comfort and economy, call on the *Scott Washroom Advisory Service*.

Over 1941, Scott Paper Co., Chester, Pa. Trade Marks "ScotTissue," "Soft-Tuff"
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**STAY TOUGH
WHEN WET**

Soft-Tuff
Scot Tissue TOWELS

**INDIVIDUAL...
SANITARY**

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v. Wisconsin Employment Relations Board and Allen-Bradley A.F.L. Local No. 1111 v. Wisconsin Employment Relations Board, the constitutionality of a state labor relations act is to be decided. Wisconsin is arguing in the hotel case that its law is not unconstitutional insofar as it makes it an unfair labor practice for employees to cooperate in picketing or boycotting unless a majority of employees in collective bargaining units have voted to call a strike. What the high court has to say about this will decide whether, on such a point, a state labor relations law can legally be more restrictive against union activity than the National Labor Relations Act.

In the Allen-Bradley case, Wisconsin is maintaining that its law may be applied to an employer in the state even though that employer is engaged in interstate commerce and subject to NLRA regulation. The state's counsel argues that the Wisconsin labor relations law is not so inconsistent with the national act as to render it void, since the state act regulates labor under state police power while the national act exercises jurisdiction only to prevent obstruction of interstate commerce. If the court upholds the state's position, the Wisconsin labor board will be free to assume jurisdiction over all employers in the state, regardless of the nature of their business.

• **Antiracketeering Act**—Local No. 807 of A.F.L.'s Teamsters Union v. United States is a case which will decide how broadly the new federal Antiracketeering Act may be applied. The union holds that its members did not violate the act by using violence against non-union employers doing an interstate trucking business in forcing them to pay union drivers full day's wage for work which these drivers did not do. The union's argument is that the men in question were bona fide drivers and would have done the work if the employers had consented.

• **Status of Inside Union**—NLRB v. Automotive Maintenance Machinery Co. turns on the right of the Labor Board to order an employer to withdraw recognition from and to disestablish an inside union; to order an employer to stop dominating it; and to declare invalid his recognition of it. Although the board has long issued such orders, this is the first case to come before the Supreme Court in which the board is challenged on its judgment of what is the expressed wish of a majority of employees affected, and challenged in its action of selecting a bargaining agent. If the court upholds the board, this is likely to be the last litigational question on the board's disestablishment procedure. If the board loses, lawyers expect a judicial rechecking of many NLRB regulations.

• **Employer "Interference"**—NLRB v. Sparks-Withington Co. is another challenge of the board's power to order cessation of what it deems "interference"

with union activity. In investigating complaints against the S.-W. Co., NLRB says that it found the employer supporting an employees' association by falsely attributing to efforts of the association certain wage increases and employment concessions and by requesting the association to incorporate. Making this case unprecedented is the fact that the employees' association, which the employer allegedly favored, was the only organization in the field. It was not in competition with any "outside" union, yet the board ruled that the alleged favoritism was interference. NLRB lost this one in the Sixth Circuit Court and is asking the high court to reverse the decision in order that its enforcement powers can be adequately exercised.

• **Election Rules**—Southern Steamship Co. v. NLRB concerns the board's right to make rules keeping employer repre-



Charles Fahy, former general counsel for National Labor Relations Board, and now United States Solicitor General, is in charge of presenting the many labor cases before the United States Supreme Court.

sentatives away from polling places when bargaining agent elections are being held. The board does this only rarely, and in this case maintains it was done because the employer was engaged in unfair labor practices. If the high court does not set aside the lower court's decision, the board will have judicial sanction of its action. However, the issue is considered a narrow one, and unless the justices go out of their way to supply dicta on the broader question of employer rights in employee elections, it is unlikely to change prevailing election practices.

• **Secondary Picketing**—Carpenters Local No. 213 A.F.L. v. Ritter's Cafe raises a question on the legality of picketing which has never before come before the high court. A lower court granted an injunction restraining the Carpenters and Painters Unions from

picketing a café in an effort to compel the owner to employ union members in the construction of a building 24 blocks away from the restaurant. The unions are appealing to have the injunction set aside because, they maintain, their right of free speech is being abridged. Actually, however, the case brings the constitutionality of secondary picketing to the court's attention and will provide an opportunity for the justices to rule on whether a business establishment may be legally picketed even though it is not a party to a labor dispute.

• **Wages and Hours Case**—Fleming, et al. v. A. H. Belo Corp., is probably the most important labor case thus far on the court's winter docket. It is not, like the others, a labor relations question but is of fundamental importance to the administration of the Wages and Hours Law. In it, the court will decide how overtime pay must be computed, and will therefore make the most far-reaching ruling on wages and hours since the validity of the law was established.

Involved is a form of employee contract developed by the Belo Corp., publisher of the Dallas (Tex.) Morning News and operator of radio station WFAA, before the law was sustained. The corporation contends that the contract is intelligent and fair. General Fleming, Wage-Hour Administrator, challenges it as an evasion of the law. The question is whether the employer is correct in computing overtime on the basis of an agreed hourly wage which is above the required minimum or whether overtime should be decided by "averaging the weekly wage over the number of hours worked" as Fleming demands. The Fifth Circuit Court upheld Belo.

• **1,500,000 Held Affected**—If the lower court decision stands, Fleming says that more than 1,500,000 employees who are subject to the provisions of the act will be directly or potentially affected. In other words, it is Fleming's contention that if the Belo contract is held legal, employers all over the country will employ it to evade time-and-a-half payments for overtime work.

The Belo system for computing the work week may be described thus: Suppose an employee's regular salary was \$40 a week but his basic hourly wage had been fixed (in a contract between the employee and his employer) at 67¢. If he worked 50 hours in one week the employer would be obligated to pay for 40 hours at 67¢ and for the other 10 hours at time-and-a-half, or about \$1 an hour. This would total \$36.85 and no payment in excess of the \$40 regular salary would be required.

On the other hand, the system which Fleming's regulations demand would work out thus: The same employee's \$40 weekly salary would be divided by 50, the number of hours worked. This would give a base rate of 80¢ an hour.

More Light . . . on Selling Facts

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The employer would have to pay for the first 40 hours and \$1.20 for the remaining ten, or a total of \$44.

The Supreme Court will decide which of these two computation systems is the correct interpretation of the state provisions.

In addition to scheduling the cases for judgment, the justices have declined to review a number of labor cases dealt with in lower court proceedings. By such a course, the high court has allowed to stand several important law interpretations. Among these:

• **Hall v. Barnes**—Coal miners are not entitled to unemployment benefits under Kentucky Unemployment Compensation for a period during which they did not work because of failure of mine operators and union representatives to agree on new contract, the existing contract having expired. This was held to be a form of labor dispute rightfully excluded from benefit claims under the state law.

• **Oberfell v. Green**—A federal court is barred by the Norris-La Guardia Act from enjoining the American Federation of Labor from carrying out a ruling that drivers in the brewing industry come under the jurisdiction of the Teamsters Union rather than the Brewery Workers. This decision denies the A.F.L. the right to apportion jurisdiction among its constituent affiliates without restraint by federal courts.

• **Pauly Jail Building v. A.F.L.'s Structural Iron Workers Union**—An employer is not entitled to an injunction restraining a union from maintaining secondary boycott or making expressions of opinion by union members that the employer was unfair in refusing to enter into a collective bargaining agreement with union. Even though the expressions are inaccurate and misrepresentative, they do not constitute fraud within the meaning of the Norris-La Guardia Act. Legal commentators are suggesting that this decision does not necessarily permit further abridgments of an employer's right of dress in cases where he is the target of a secondary boycott. Rather, it is pointed out, the narrow point of law is involved and generalizations about the decision are apt to be misleading.

• **Bachelder v. NLRB**—The Labor Board has jurisdiction in unfair labor practice proceedings against a receiver for a company who was appointed by a state court. The decision is supposed to be a definitive statement in support of the board's contention that unfair labor practice liability is not restricted to owners, but may inhere in directors who have no proprietary right in the enterprise which they supervise. If NLRB is ever forced to take jurisdiction in a case where the employer is a government agency, this decision may be cited as precedent.

• **White Swan Co. v. NLRB**—The Wagner Act applies to a laundry located in a city on a state line (Wheeling, W. Va.) which does a purely local business except insofar as it collects articles from and delivers them to customers in another state. This ruling extends the conception of what constitutes interstate commerce and brings under the jurisdiction of federal legislative enterprises which were formerly exempt.

• **McKesson & Robbins v. NLRB**—The Labor Board was within its rights in setting aside a contract between the company and

A.F.L. The sufficient have This case cause the written election. ability of L tant to st portant mind a resent the rangemen mit dem

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Last Workmen sey-Hay gun pla fense p two-day ployees Defens to deal issue, r first tim under the m ones V Men an hou expand at 85¢ for wor ing rat area.

• **Rem** serting women roll, co ard wa tioned gan sta ing by moved The is inhe by hir which was n action "labor pande tion o necess increa wome diluti strike defend • **San** probl provi twee trial

Busin

AFL Teamsters Union on the strength of sufficient evidence to suggest that employees have changed their union affiliation. This case attracted considerable interest because the A.F.L.-company contract had been written after A.F.L. won a Labor Board election. It raised a question about the stability of labor relations: Was it more important to stabilize relations or was it more important to allow employees to change their mind about the union they wanted to represent them, thus upsetting a contractual arrangement? The board's decision to "permit democracy" was upheld.

Labor "Dilution"

Detroit strike over hiring of women raises an issue already dealt with in England, where "equal pay" rule now prevails.

Last week's United Automobile Workers Union (C.I.O.) strike at Kelsey-Hayes Wheel Co.'s new machine gun plant in suburban Detroit has defense planners really worried. After a two-day stoppage, the plant's 1,500 employees are back at work and a National Defense Mediation Board panel will try to deal with the strike issue. But the issue, raised in its present form for the first time since defense production got under way, promises to become one of the most dangerous and troublesome ones Washington will have to meet.

Men at Kelsey-Hayes who are paid \$1 an hour struck because the company, expanding its work force, hired women at 85¢ an hour. The 85¢ an hour wage for women is recognized as the prevailing rate for female machine labor in the area.

• **Removal Demanded**—The union, asserting that the company was employing women in order to shave down the payroll, considered that its \$1 wage standard was threatened and officially sanctioned the walkout. According to Michigan state conciliators, the union is standing by a demand that women be removed from all machine jobs.

The national significance of the strike is inherent in the fact that Kelsey-Hayes, by hiring women for production jobs for which it maintains a male labor supply was not available, is testing union reaction to what the British have called "labor dilution." The claims of expanded production and army conscription on the labor market have made it necessary in England, and will make it increasingly necessary here, to employ women in factory work. If the inevitable dilution evokes union antagonism and strikes, then the planned expansion of defense material output is threatened.

• **Same Problem**—England had the same problem. Prevailing prewar wage norms provided a substantial differential between male and female pay for industrial jobs. When dilution began, there

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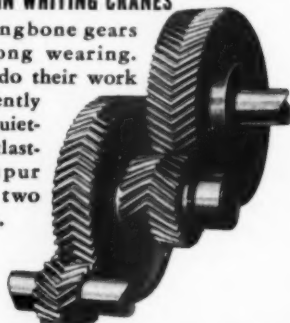
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WHITING

Quiet-Running

OVERHEAD TRAVELING CRANES

were strikes and stoppages, for the British unions felt their pay standards were threatened. In May, 1940, Amalgamated Engineering Union, England's big labor federation whose members staff the munitions and metal working plants, signed an agreement with employers and with the government which provided that women should receive "equal pay for equal work." So successful was it in settling labor unrest that the government recommended it to all industries. Today, all of the war industries, and most of the others as well, pay women at the same rate as men. The same thing may well be in the cards for American industry. OPM's Labor Division will give little consideration to tradition in carrying on with its job of minimizing labor trouble.

Willkie's Client

David Dubinsky's choice of lawyer for fight with FTC is reported to have been influenced by conversation with F.D.R.

Lawyer Wendell L. Willkie got a new client last week and some people believed that Lawyer Franklin D. Roosevelt had a hand in steering the business his way. Willkie's client is the National Coat and Suit Industry Recovery Board, currently involved in restraint of trade charges before the Federal Trade Commission (BW-Oct.11'41,p50). The retaining of Willkie is explained this way:

Most powerful figure in Coat and Suit Board affairs is fervent New Dealer David Dubinsky, president of the International Ladies Garment Workers Union (C.I.O. until Dubinsky broke with John L. Lewis over union policy, now A.F.L.). When FTC called the Recovery Board to account, Dubinsky is reported to have called Roosevelt. The President, so the story goes, said it was an unfortunate state of affairs but insisted that there was nothing he could do about it. His advice to Dubinsky was reputedly—get yourself a good lawyer. Dubinsky, who says that he never heard of Willkie until the Republicans picked him to run for President, but who has come to know him since the election through a mutual interest in Aid-to-Britain groups, is reported to have said to Roosevelt, "Well, how about 'winning with Willkie'?" Roosevelt purportedly chuckled and replied that Willkie seemed to be a pretty good lawyer. So Dubinsky had him engaged.

• **Political Angle**—Of interest to politicians was the fact that Willkie, whose liberal position on labor questions in the last campaign got him only negligible union support, was now chummy with Dubinsky, one of the most influential labor leaders in the business.

STRIKE SCORECARD

Washington was on the job this week, but couldn't move fast enough to prevent the walkout of welders (BW—Nov. 1'41,p53) from spreading to more and more Pacific Coast shipyards, to the Gulf Coast, and to aircraft plants in Southern California. At midweek, however, Sidney Hillman announced that strikers' representatives had agreed to ask the men to go back to work pending outcome of further OPM conferences.

What has happened is that the welders have been trying to get recognition from the A.F.L. as a full-fledged union. But the A.F.L. wants them to remain members of the Boilermakers, Machinists, or Structural Iron Workers Organization. At midweek, in addition to the 8,600 men on strike in Seattle, Tacoma, and Los Angeles shipyards, men walked out at the Ingalls Iron Works in Pascagoula, Miss., at the Reynolds Metals Plant in Sheffield, Ala., at Tennessee Valley Authority works near Sheffield, and on the Plantation Pipeline Project in the same area. Four hundred welders had struck at Lockheed Aircraft Corp. and its subsidiary, the Vega Airplane Co., both near Los Angeles, and 250 more were scheduled to go out at Consolidated Aircraft in San Diego.

• **Troop Threat**—Meanwhile, in Detroit, the jurisdictional dispute between the A.F.L. Teamsters and Railway Clerks union, which has tied up Railway Express Service (BW—Oct.25'41,p14), reached the violence stage. Mayor Edward J. Jeffries at midweek threatened to call in troops to insure peace and efforts at settlement of the controversy were continued.

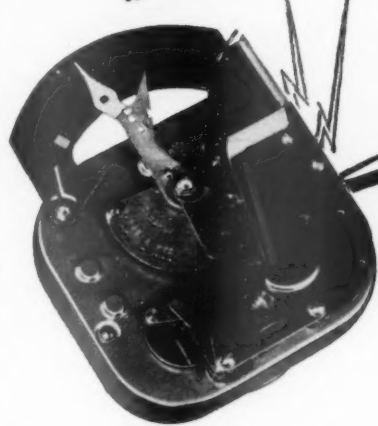
• **Robins Wage Boost**—Robins Dry Dock & Repair Co.'s Brooklyn shipyard was finally back in full production this week after a six-day strike of C.I.O. shipbuilding Workers Union members (BW—Nov.1'41,p53). The dispute ended with the company's 6,000 employees getting a wage boost which established a minimum wage of 72½¢ an hour.

MORE STEEL TROUBLE

Another outbreak of steel strikes without the existence of a labor dispute plagued the Pittsburgh district mills of United States Steel last week. Tactics were similar to those used in Gary, Ind. (BW—Oct.25'41,p56), designed to bring about a closed shop in Big Steel's mills without the formality of contract revision.

Principally affected by "union unemployment" were the mammoth Irvin works near Clairton, where scores of day-shift men were kept away from jobs by an "unofficial" picket line, and the Homestead plant, where cranemen failed to report, necessitating the closing down of rolling operations employing an estimated 2,000 workmen.

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Now 65 parking meter parts are made of this *Stainless*, long ago made easier-to-machine and more ductile by Carpenter. Sequel to this story is the fact that by skillful design coordination, this manufacturer uses

many *Stainless* parking meter parts interchangeably in another product—a chart clock used in oil fields.

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FINANCE

Inventory Load

Uptrend in manufacturers' stocks of goods, a deterrent on dividends, will be discouraged by priorities and allocations.

How long are manufacturers' inventories going to go on up? That's a compelling question in financial circles these days, because the answer will mean a lot not only to stockholders but to lending institutions as well.

Ever since the defense effort was launched, inventory has been rising and for some time it has been at an all-time peak—in physical volume if not actually in dollar values. The money to carry these stocks of goods all the way from raw material to finished product has to come from somewhere. Bank loans, of course, are an obvious resort. But, in these days of worrying about what comes after the war, there also is a tendency to retain a large slice of earnings to help finance both inventories and receivables. And retained earnings represent money that might otherwise go to stockholders in dividends.

• **From the Balance Sheets**—The tabulation below has been compiled from some of the balance sheets so far issued by manufacturing companies showing their positions as of Sept. 30. For most companies the trend has been sharply upward for a long time. Moreover, many of the corporations listed had their sharpest rises in the third quarter of this year.

It would be interesting to do a bit of averaging of these inventories on the

various dates chosen for this tabulation. That is statistically impractical, however, because the figures for General Motors and Chrysler are so huge that the average would be nothing but G. M. and Chrysler slightly weighted by the figures of 15 other corporations.

• **Incentives**—Obviously, most manufacturers for a long time have been building up their inventories (1) to take care of defense or semidefense business on their books or (2) to lay in supplies of raw materials and parts which seemed likely to become scarce. The first of these incentives, obviously, is going to be increased very substantially for all companies that can handle defense contracts. The second is going to be reduced if not eliminated through the operation of priorities and the allocation of raw materials.

Allocations may, in fact, become the governing factor in a short time both as to defense and civilian output. The effort to get Army and Navy contracting officers not to assign priorities for too much of any material or for too early delivery dates will aid the Priorities Division of OPM in regulating its allocations. The increased investigating staff of the Priorities Division, by smelling out padded inventories, will help to shut off allocations from those companies that are fairly comfortably fixed.

• **From Here On**—All in all, even though inventories probably have not reached their top, the rise from here on should not be quite so rapid. The enormous volume of manufacturing contemplated in the 1942 and 1943 defense and lease-lend schedules probably will prevent much paring of inventories, but the big push should be topping off—

Defense Orders Send Inventories Soaring

American industry today has the biggest inventory in its history—a necessary adjunct of all-out armament production. The following figures,

compiled from third-quarter statements of representative corporations, give some insight into the positions of individual companies:

	Sept. 30, 1941	June 30, 1941	Dec. 31, 1940	Dec. 31, 1939
American Brake Shoe.....	\$8,492,674	\$7,829,773	\$6,442,201	\$6,296,147
American Seating.....	2,570,627	2,764,258	2,270,657	2,320,868
Atlas Powder.....	4,935,592	4,235,314	3,487,006	3,161,972
Bower Roller Bearing.....	1,518,029	1,314,438	954,376	976,392
Caterpillar Tractor.....	26,092,276	23,470,309	21,034,395	19,383,113
Chrysler.....	71,181,755	55,347,674	59,199,683	54,896,619
Clark Equipment.....	4,854,392	3,921,964	2,784,909	2,593,969
Continental Steel.....	4,541,018	5,264,797	5,612,739	4,669,648
Fyr-Fyter.....	442,553	289,297	222,897	164,144
General Refractories.....	3,233,594	3,021,075	3,680,278	2,544,585
General Motors.....	352,113,838	295,145,110	265,000,682	233,764,789
Hercules Powder.....	13,781,663	13,158,868	11,410,607	8,873,335
Master Electric.....	2,182,702	1,689,939	1,034,379	737,510
Rustless Iron.....	3,131,005	2,977,738	2,265,996	1,520,239
Simonds Saw.....	3,194,039	3,341,575	3,046,554	2,905,504
Stewart-Warner.....	7,496,660	7,410,149	5,834,742	5,325,062
United-Carr Fastener.....	1,864,991	1,685,673	1,487,812	1,278,031

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Tax Loophole

Morgenthau about to test legal status of stock dividends. Plugging leak would open way for undistributed profits levy.

In its search for new sources of revenues to tap for its rapidly-increasing national defense needs, the Treasury Dept. is reported flirting anew with its once-tried undistributed profits tax on corporate earnings which are not fully disbursed as dividends.

During 1937, when the undistributed profits tax levied a penalty on that portion of earnings retained in a business, corporation executives and their long-term stockholders considered the measure an unfair depressant to business recovery (BW—Nov. 12'38, p. 52). Reinvested profits, they said, constitute a source of capital and working funds.

• **Stock Dividends**—In 1937, corporations could reduce their undistributed profits tax liability by the amount of stock dividends paid, if these dividends changed the stockholders' proportionate interest in the company. Stockholders,

Atlas Corporation

Dividend No. 21

on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending November 30, 1941, has been declared on the 6% Preferred Stock of Atlas Corporation, payable December 1, 1941, to holders of such stock of record at the close of business November 17, 1941.

WALTER A. PETERSON, Treasurer
October 31, 1941.

meanwhile, could continue to consider as nontaxable those stock dividends which did not alter their interest in the company.

Legally, the guiding principle has been a 1920 decision (*Eisner v. Macomber*) which held that an individual recipient need pay federal income tax on stock dividends only in case the dividend changed the stockholder's "proportionate interest" in the company. Thus a pro-rata dividend in voting common stock paid to voting common stockholders would not be taxable. On the other hand, common stockholders would have to pay tax if they received preferred stock or a nonvoting stock.

• **Probable Test**—The Treasury Department isn't any too happy with this long-standing interpretation. A test probably will be made in an appeal from a recent decision of the Board of Tax Appeals in the case of *Mitchell and Mitchell v. Commissioner of Internal Revenue*. Charles F. Mitchell and Cora B. Mitchell were credited with preferred stock in a laundry as a dividend on common shares. But the Mitchells did not have the right to use the stock for their own benefit because it was subject to an oral agreement among stockholders.

This pact specified that the stock would be exchanged for common just as soon as the corporate charter could be amended and that the company would hold the preferred shares until the exchange could be made.

• **Taxable As Income?**—The Bureau of Internal Revenue claimed that the preferred stock dividend was taxable as income. The Board of Tax Appeals ruled otherwise—that this did not constitute taxable income because the Mitchells did not at any time have the right to use the stock for their own benefit. The board added, "No stock dividend is constitutionally taxable unless it (1) works a change in corporate equity, or (2) gives the stockholder an interest different in character from that which his former holdings represented."

If the Treasury Department is successful in its appeal before the Supreme Court, the decision might contain a loophole for wider levy of future taxes on undistributed profits—perhaps even tying this up with, or as a substitute for, additional excess-profits levies.

• **Lima Locomotive's Dividend**—Meanwhile, stock dividends continue. The Lima Locomotive Works, Inc., last week declared a dividend, payable Dec. 9 to stock of record Nov. 18, of one share of capital stock for each 25 shares now outstanding in the hands of the public. This would divide among Lima stockholders the stock purchased earlier this year by Lima Locomotive from British holders. As such, it would appear to be taxable—for it would increase the proportionate interest in the company of those stockholders who will receive the shares distributed.



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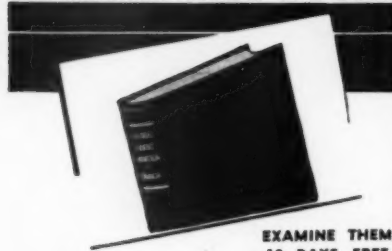
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THE MARKETS

For almost a month the securities markets have been concerned about the decision of the President's Emergency Fact-Finding Board in regard to the railroad wage situation. Prices not only of railroad securities but of sympathetic industrial issues as well have been influenced in some degree by varying conjectures as to the probable finding. For this decision was to indicate a possible formula for settlement of future labor union altercations with management.

The recommendations, announced Wednesday afternoon, were followed by an immediate spurt in prices of both railroad securities and industrial shares. Volume was heaviest since mid-September. But prices began to slide off before the close of trading as union dissatisfaction with the proposals was voiced.

• **Wages and Rates**—Recommendation that members of the five operating brotherhoods should receive 7½% wage increases (they had demanded 30%) was more favorable to the railroads than the generally-predicted 10% to 15% boost. But for some roads, such as New York Central, the payment of even 7½% higher wages would eat up much, if not all, of the net income. The Fact-Finding Board recognized this problem in its statement, "Our recommendations are made on the assumption . . . that a large portion of the increased wage bill . . . will be made good to the carriers through increased rates."

Management and unions now have 30 days in which to agree or reject the proposals—with strikes barred during this period by the railway mediation act.

Wall Street expects that management will concur, but that unions will disagree and continue with strike plans. If they do, at a time such as this when all carrier facilities are needed to transport national defense goods, there will be fears of governmental operation and control of the railroads.

• **Pro and Con Factors**—In appraisal of railroad securities there are many pro and con factors. On the optimistic side, railroad revenues are at their

highs for more than a decade. This gain has been carried through to net operating income, which for the first eight months of 1941 was 77% above the similar 1940 period (BW—Oct. 25 '41, p. 26). Debt has been reduced. Southern Pacific this week, for instance, announced that on Oct. 31 it had prepaid \$5,000,000 on serial bank loans due as far ahead as Oct. 1, 1945. Some carriers are buying in their own bonds on the open market at a discount. Others have been calling in and paying off early maturing fixed debt.

Besides the wage-increase, the fear that the bubble of boom business would burst as soon as defense demands slackened at the close of the war has been a depressant to railroad securities.

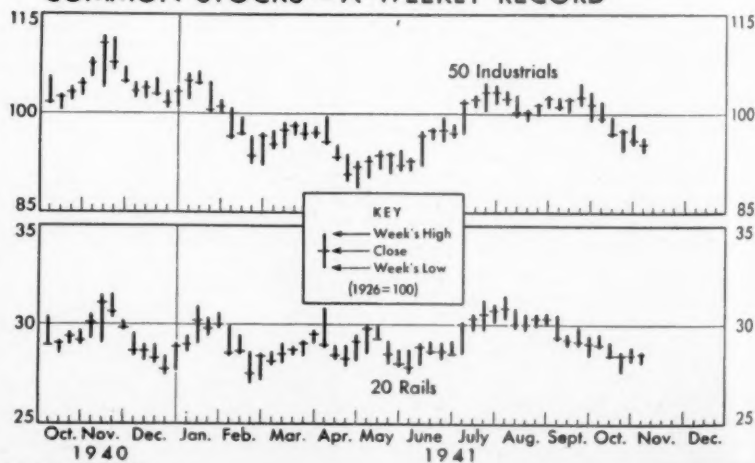
• **Reorganizations**—Most sensational advance in railroad securities this year has been in the field of roads in reorganization. These defaulted rail bond price averages have risen 60% since Jan. 1, whereas industrial stock prices have declined about 7%. Price averages of railroad stocks and medium-grade railroad bonds have risen about 4% in the same period. Many traders have shifted activities from the stock market to the border-line railroad bond market. These bonds are almost as volatile as stocks and the income almost as high, but the commission (\$2.50 per \$1,000 par value) and taxes are much less. Also, bond interest is paid before taxes, which precede return to stockholders.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial . .	95.6	96.1	99.3	107.7
Railroad . . .	28.6	28.5	29.0	30.1
Utility	39.7	41.0	43.2	62.5
Bonds				
Industrial . .	105.5	105.3	105.5	101.8
Railroad . . .	85.4	85.3	85.2	86.4
Utility	107.2	107.4	107.4	106.0
U. S. Govt. . .	112.8	112.8	111.8	109.2

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

COMMON STOCKS — A WEEKLY RECORD



Data: Standard & Poor's Corp.

© BUSINESS WEEK

COMMODITIES

Foreign Copper

Record August imports are revealed but it is not yet clear that supplies from abroad will continue to exceed expectations.

Fears that American industry was to be denied monthly statistics on copper imports have been laid. The August figures, reported a few days ago in incomplete form, now are available in total. The month's imports jumped to a record-breaking 74,000 tons in ore, ingots, and all other forms, according to the monthly report of the American Bureau of Metal Statistics, compiled from Department of Commerce records.

The very large receipts of foreign copper for August bring the total for the first eight months of this year to 459,000 tons. This represents a monthly average for the period of 57,400 tons, or an annual rate of about 690,000 tons. At the August rate, however, the annual figure would run up to nearly 900,000.

• **OPM's Expectations**—Yearly figures of either 690,000 or 900,000 tons would be fairly well in excess of most Office of Production Management estimates of 1942 imports. The total generally accepted around OPM is 600,000 tons for next year (bringing total supply to 1,600,000 to 1,700,000 tons). Doubts that we can get more than that from abroad contribute to the general pessimism over the copper supply situation.

Possibly the August imports are not representative. Perhaps an unusual number of copper-laden ships reached ports in the United States during that month. In other words, August may have "borrowed" statistically from either July or September—or both. However, should it develop that this country is hereafter to get upwards of 70,000 tons of copper from abroad each month, it would add anywhere from 200,000 to 300,000 tons to estimates of available supplies for 1942.

• **Shipping Factor**—Such figuring, of course, makes no allowance for disruption of shipping. While it is hardly expected that sea raiders will sink very many ships carrying copper from Latin American countries to ports in the United States, serious-minded students of the situation feel they must bear in mind the possibility of diversion of substantial tonnage to other routes.

Domestic production, admittedly, cannot be increased rapidly enough to make up for the loss of even a fraction of current imports. Production in this country is now running between 1,000,000 and 1,100,000 tons a year.

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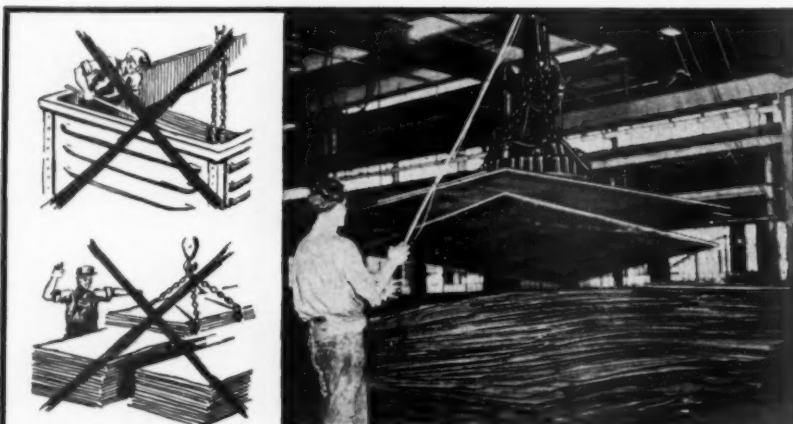
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BUSINESS ABROAD

Lease-Lend Issues to Be Aired

Stettinius will hear kicks of traders who fear loss of foreign sales organizations. Complaint about competitive item backfires as U.S. importers seek British specialties.

The sinking of the destroyer Reuben James off Iceland, fresh and alarming German advances through the Crimea and along the battlefield just south of Moscow, and new threats of a Japanese-American break in the Far East demanded general business attention this week. But the eyes of the exporter were glued to developments connected with lease-lend trade.

Since last March the United States has been delivering lease-lend materials to the British. China has also had a dribble of supplies, along with Brazil, Haiti, Uruguay, and the Soviet Union.

Though seven months have passed since the act went into operation, Wash-

ington still has made no basic agreement with London defining precisely the conditions under which the defense aid is being provided, stating any limitations concerning its use by the British, or suggesting how far the United States expects to be repaid or on what terms. Insiders insist that Washington has deliberately refused to define these terms because it is trying to extract from the British certain postwar commitments which so far have not been forthcoming. It seems more likely that Washington does not know yet exactly what it wants in the way of postwar concessions.

Operating without a Rule

It is this lack of a definite understanding between London and Washington that is blamed for some of the frictions which have arisen during the last few months. When American exporters protested officially at the National Foreign Trade Convention that lease-lend was interfering unjustifiably with what is left of "normal" import and export business, the British lease-lend authorities were just as eager as the American to come to some understanding which would put an end to the petty frictions which had been causing worry all summer.

This week, Washington moved to put an end to one of the grievances. Lease Lend Administrator Edward R. Stettinius has invited foreign traders, working through John A. Zellers, who is chairman of the international trade committee of the Advertising Club of New York, to send a committee to Washington to discuss their problems.

Defense and Civilian Needs

Bound to top the list of complaints is the claim that Washington has unwittingly or not—allowed foreign countries to lump some of their civilian supply needs with lease-lend defense needs (BW—Oct. 18'41, p. 15). Foreign traders want ordinary commercial supplies separated from defense supplies and left to be handled through the regular distribution channels. Otherwise, they claim, they will be forced to seek foreign-trade selling organizations through years of effort.

While Washington has agreed to discuss the problem with foreign traders and is known to favor working through

established private agencies where possible, there is no assurance that exporters will win their point on this matter. Every country that is at war is struggling to conserve foreign exchange. One way of accomplishing this is to pool all demands for foreign goods and handle them through a central agency. In the case of countries operating under lease-lend arrangements with the United States, many items besides such obvious defense items as tanks, planes, guns, and ammunition are being traded on a lease-lend basis—and with full approval of Washington. Food—particularly prepared foods—is the most important item in this controversial list. But trucks, utility equipment, certain railroad supplies, radios, and machinery for factories not always classifiable definitely as defense plant are also included.

There is no indication yet what Washington intends to do about this matter, but because the criticism applies more to Latin American countries than to parts of the British Empire, Vice-President Wallace, in his capacity as head of the Economic Defense Board, is expected to take an active part in the conferences. This almost certainly means that nothing is going to be done which will kill private interest in pushing trade with Latin America.

Export Boomerang

One of the other complaints of foreign traders has suddenly begun to backfire. During the summer there have been isolated criticisms that Britain was competing with American exporters in world markets with products made of the same raw materials as are now going to Britain under lease-lend terms. Though some of these complaints were proved to be unjustified, London more than a month ago issued a public statement that Britain would not send such competitive items into markets outside the Empire.

Last week, Washington's lease-lend authorities were presented with the other end of this problem. The United States has long been an importer on a very limited basis of a number of British machines of very specialized types. Some of these are used in the textile field, a few are mine specialties, and others are used in connection with hardware and chemicals.

Clear Formula Required

For more than six weeks, a few American importers have been trying to get hold of fresh supplies of these specialized machines from Britain, or to secure replacement parts for machines already installed. But the British, aware of their promise to Washington not to export any products made of the materials which they were receiving under lease-lend (including steel especially), have refused to sell the machines until they have a special permit from Washington

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which would free them from all criticism. Actually, by value, the amount of steel or other strategic raw material included in most of these specialty machines is small compared with the value added by labor.

Presumably, this case will also be decided by the Lease-Lend Administrator and it is the guess of Washington that most of the questioned items will be admitted. But until some clearly defined formula is laid down by Washington, the British are refusing to pass the goods for export.

Aid for Latin America

While Washington is struggling with lease-lend problems, more plans for providing Latin America with credits to help carry on foreign trade during the wartime emergency were revealed; they indicate special efforts are being made to keep commercial banks in the picture. Following Jesse Jones's preliminary announcement that the Export-Import Bank is preparing to cooperate with the central banks of all Latin American

Federal Contract Service

Purchases for the \$5 billion dollar U. S. Defense Program are reported in the **FEDERAL PURCHASING RECORD**, which lists in its daily and weekly bulletins over 2000 requests to bid each week; also lists Awards.

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TANKS—AND MORE TANKS

When he was in the U. S., the Duke of Windsor inspected the medium tanks that Chrysler Corp. is building for the Army and for lease-lend and talked things over with K. T. Keller, Chrysler president (right). Tank production now takes rank with bomber production as a prime responsibility of America's "arsenal of democracy." This week plans were shaping up to enlist all major auto manufacturers in tank production (page 8).

countries to finance imports from the United States (BW—Nov. 1'41, p61). Warren Lee Pierson, president of the bank, announced that special long-term credits were being worked out for the Latin Americans. These credits will actually be handled by the commercial banks in the United States with the uninsurable risks carried by the Export-Import Bank. Actually, it amounts to something a little like the British system of export credit guarantees.

The main benefit of the new plan to United States manufacturers is that it will allow them to receive payment for exports as soon as the goods are ready for delivery to Latin America. Nearly \$70,000,000 is being set aside by the Export-Import Bank to handle these new revolving credits. Under the scheme, American manufacturers will be able to offer practically the same credit terms which were offered for five or six years before the war by the Germans. Aim of Washington's new project is to establish trade between the two continents of the hemisphere on a solid basis which will more effectively meet any postwar competition that may arise.

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Nazi Inflation

Bigger incomes and dwindling supplies of consumer goods force Berlin economic planners to try new inflation curbs.

BERLIN—The Reich, like the United States, is in the midst of a struggle to prevent inflation caused by rapidly increasing wage income at a time when the production of consumer goods must be curtailed in favor of greater and greater defense output.

The increasing use of overtime to swell defense production is only one factor that is rapidly boosting consumer purchasing power. It is also being pushed upward by the great number of women workers who have been drafted into industry. Furthermore, the investment classes are benefiting from higher dividends.

● **Lion's Share for Army**—Supplies of goods which the public can buy, however, are dwindling slowly. Since the Russian campaign started last June, the shortages have been accentuated. Best evidence of this is the cut in the number of coupons on the 1942 clothes rationing cards from 150 to 100, and the announcement this week that the army now consumes 40% of the country's cigarette production and an even higher percentage of the yearly wine supplies.

Industry, despite its generally higher earnings, is no longer allowed to make replacements or repairs.

Finally, rigid price controls have prevented the normal adjustment of dwindling supply to mounting purchasing power such as would take place if the country still had a free economy.

● **How Nazis Curb Inflation**—Nazi economic planners announced a new recipe this week to keep the inflation situation in hand. "Iron savings accounts" were introduced. Individual savers, in return for agreeing to leave their surplus funds on deposit until one year after the war is over, are granted full tax exemption on the amounts that accumulate.

Industry is pulled into the picture by being offered comparable tax exemptions for building "postwar reconstruction balances."

Finally, excise taxes on liquor and tobacco were raised drastically this week in order to curb consumption.

Though Berlin claims that it is not after the revenue that these savings schemes and the new tax plan will provide, financial authorities estimate that new savings under these plans will amount to 5,000,000,000 to 7,000,000,000 marks a year, while the return from the higher excise taxes will boost revenues another 800,000,000 to 900,000,000 marks annually.

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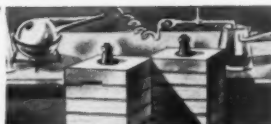
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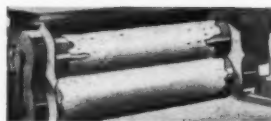
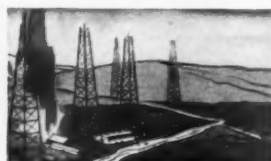


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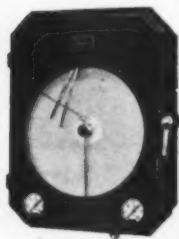
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Canada's Ceiling

Business men get outline of rules that will govern new price setup; also a preview of some tough problems.

OTTAWA—Canadian business men given a fragmentary outline this week the way in which the Dominion's new over-all price ceiling is to work when it becomes effective Nov. 17. A good many obscure points were cleared up and not all of them in terms which will reconcile business to Ottawa's radical anti-inflation policy. Other points, including some considered by business as the most urgent (such as fitting of import and export business into the domestic ceiling) have been substantially clarified by Hector McKinnon's War-time Prices and Trade Board but its decisions have not yet been approved by the cabinet.

Determined to make the new price ceilings stick, the McKinnon Board, in this week's preliminary regulations, has barred flexibility of ceiling prices in the case of goods contracted for at higher prices prior or subsequent to the base period (Sept. 15-Oct. 11). Such contract prices must be lowered to ceiling prices. Bitter protest against this regulation is anticipated.

Furthermore, the official interpretation provides that the terms of sale made during the base period may not be altered to increase prices even when the increase would leave prices below the maximum under the new ceiling law. Discounts which lower net prices must be maintained.

● **Goods May Be Seized**—The initial regulations are designed mainly to prevent evasion of the ceiling order. Charges for goods or services in excess of the ceiling are not enforceable, and amounts paid in excess may be recovered. Also goods bought or sold in violation of the regulations are subject to seizure in addition to other penalties which include fines up to \$5,000 and two years' imprisonment.

Evasion through lowering of quality and reduction in size or unit quantity of goods will be prevented under new powers given the McKinnon Board to prohibit the sale of goods except in accordance with conditions that it has prescribed.

● **Bookkeeping**—All firms subject to the ceiling regulations are required to keep books showing cost and selling prices of goods and services.

The McKinnon Board has recently authority to recommend to the cabinet remission of customs duties, special wartime foreign exchange taxes, or other duties on import goods as one means of fitting import costs to domestic ceiling

(BW—Nov. 1'41, p63). Such action is expected.

● **Responsibility**—Responsibility for adherence to the new price regulations is shared by seller and buyer. Under the new ruling, no person is allowed to pay more for goods or services than the established ceiling prices. And, unexpectedly, the buyer is subject to the same penalties as the seller.

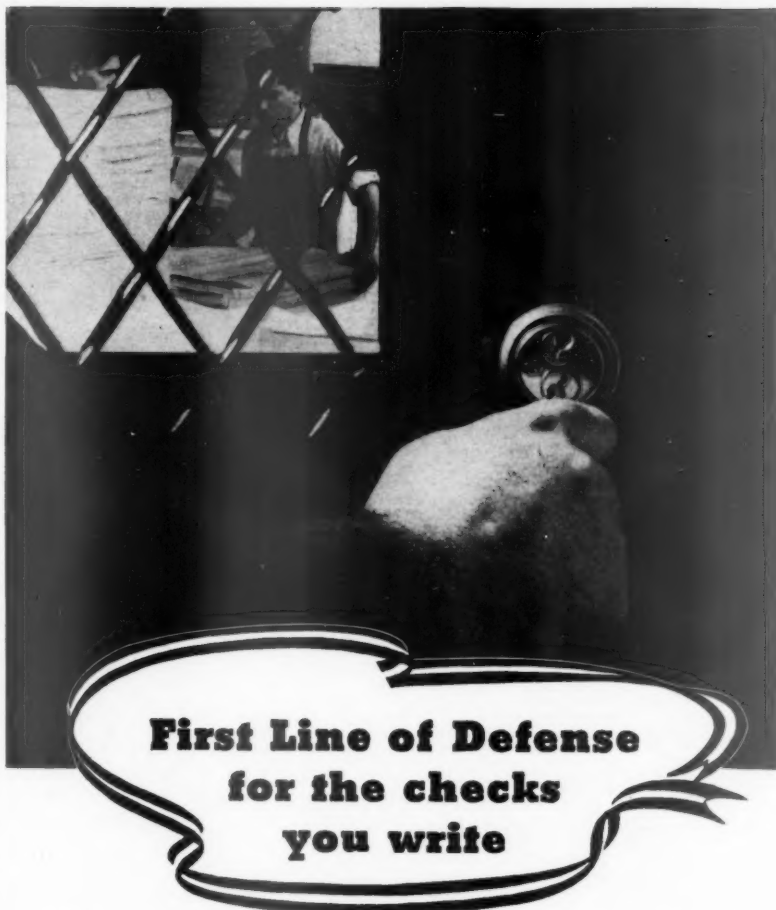
Although goods sold to the Munitions and Supply Department (Canada's war materials purchasing department) are exempted from the regulations, it is understood that the exemption is not to apply in all cases. Purpose of the exemption is to enable the department to pay higher-than-ceiling prices in exceptional circumstances. But in general, war supplies are subject to the ceiling.

● **Rent Ceilings**—Rental rates for business as well as residential premises are included in the ceiling order but ceiling schedules have not yet been completed. Until now, wartime rent control has been confined to residential property in special areas where booming employment has produced a housing shortage.

Eleven services are also brought under the price ceiling and others may be added. These cover the supply of electricity, gas, steam heat, and water; telegraph, wireless, and telephone services; transportation (goods or persons); warehousing and storage; undertaking and embalming; laundrying, cleaning, tailoring, and dressmaking; hairdressing and beauty parlor services; plumbing, heating, painting, and decoration; repairing of all kinds; the supply of meals, refreshments, and beverages; and the exhibiting of moving pictures.

● **Wanted: Administrators**—In addition to the problem of working out price ceiling rules, Hector McKinnon's War-time Prices and Trade Board has been struggling for two weeks to find top-notch administrators for the price ceilings program. Saskatchewan's Agricultural Minister J. G. Taggart has been drafted as food administrator, after service as head of the wartime bacon board. General Manager E. G. Burton of Toronto's big Robert Simpson department store has been secured as administrator for all retail trade, with Chairman R. B. Whitehead of Ontario Securities Commission borrowed as his assistant. Dozens of other posts must still be filled before the plan goes into effect.

The wage control plan has also forced the government to expand its administrative setup. Industry didn't want a super-conciliation board for the administration of the wage ceiling-bonus program but is getting it. The national labor board to be set up will have an equal number of employer and labor representatives, except for the chairman who will function largely as an arbitrator. Provincial or regional boards, recruited from provincial labor departments, will deal with local issues sub-



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Copy required November 17.

ject to review of their decisions by the central board.

• **Plan At Work**—Uneven effects of the ceilings and living-cost bonus are already coming to the surface. The important lumber industry will be one loser. This industry pays its bushmen by the month, charges them for board supplied by the companies. Under the new law it is required to pay the living-cost bonus but the freeze order prevents any increase in the rates for board while at the same time prices of the industry's products are frozen.

But a far more general discrepancy arises from the exclusion of employers with fewer than 50 workers from the ceiling-bonus order. It is estimated that by numbers, about 90% of the plants engaged in actual manufacturing are exempt from the order because of limitation. These small plants employing about 25% of the country's industrial workers, can increase wages at will. Except where they are engaged in war production, these workers will not receive the bonus unless their employers volunteer to give it.

• **Elasticity**—In practice, the central feature of the wage ceiling administration is the provision for elasticity in basic wage rates. This concession to labor was made in order to allow limited collective bargaining by permitting the national labor board to authorize increases in wage ceilings where it finds maximum wages for the base period are low in comparison with similar employment in the same locality.

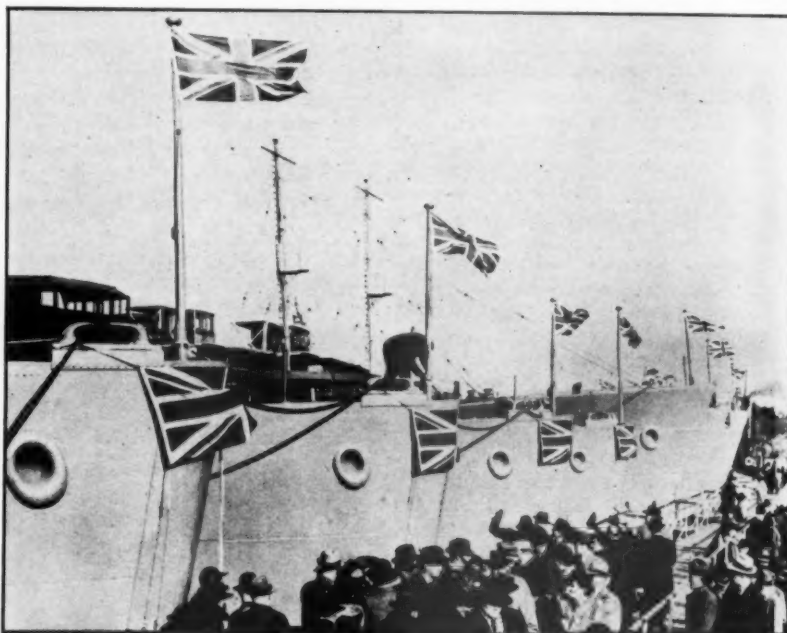
BRAZIL RUBBER PINCH ENDS

A steamer warped up to a pier in Rio de Janeiro late last week and a few minutes later great electric cranes began unloading Amazon crude rubber from its hold. Three hours later trucks loaded with the newly-arrived rubber rumbled off the pier and started the 225-mile haul to São Paulo, the Akron of Brazil. Brazil's four-month-old rubber famine was ended.

The shortage developed in July when German and Japanese agents made unusually large purchases, boosted prices far above world levels, and drained local markets of all supplies (BW—Jul. 12 '41, p. 78). Brazil produces only a little more than 20,000 tons of rubber a year, ordinarily consumes slightly more than half of it in the country's 52 rubber factories—all but eight of which are located in São Paulo.

Goodyear, Firestone, Pirelli (Italian), and the Brazil Tire Co. all warned the Rio government in July that they would operate for only a few weeks on warehouse supplies, and that they could not meet the Axis prices for domestic supplies.

Rio has solved its problem by placing an embargo on rubber exports, except under government license. Only foreign purchaser of the country's growing surplus will be the United States which has agreed to take every available ton of crude rubber, after Brazil's factories have been supplied, at the relatively new high of 30¢ a pound.



EIGHT AT A THROW

In Canada's greatest mass launching since the start of the war, eight fighting vessels—four corvettes, and four

minesweepers—slid down the ways at the yards of Marine Industries, Ltd., Sorel last month. Canada returned to shipbuilding on a large scale when war cut off supplies from England.

PROFIT & LOSS

From Heir to Air

The Wright Aeronautical Co. suddenly turns out to be one of the biggest buyers of baby-bottle nipples in the country. It uses them to plug fuel lines so as to keep out dirt.

Down with Progress!

The scientists probably think it comes under the heading of progress, but any man who has ever been in a hospital can contradict them when it comes to the development of a new machine known as a cardiometer, which automatically takes your pulse—doing away with the nurse altogether.

Defense Developments

Talk about new developments in plastics—there's even mention now of plastic pennies next year, to save copper.

The Chicago Quartermaster Corps. of the U. S. Army claims it's developed a chocolate candy bar that won't melt in soldiers' pockets. Mothers will probably be just as pleased to hear about this as soldiers.

Every music publisher in Tin Pan Alley must be jittering with joy at the rumor that the government is going to turn song-plugger. The U. S. Treasury may plug the sale of defense bonds by trying to get the song, "Any Bonds Today," put into every jukebox in the country—all 400,000 of them.

One of the recent contracts let by the Army was for \$17,000—for a comfort station at Arlington National Cemetery. Impressive, huh?

In honor of her 55th birthday, the Statue of Liberty is going to have her torch rekindled—by Westinghouse, which is presenting her with a complete new lighting system; it's her first new set in ten years.

Paying for It

Colorado's sales tax collectors must have mixed feelings concerning the new law that enables them to take over a business and run it until they have managed to make enough to pay off delinquent taxes.

So far collectors have run everything from restaurants to plumbing shops, usually collecting their money without untoward incident, though the fellow who took over a fur sales and storage shop came in for more than his share of grief. Women kept coming in for their stored furs all the time he was there, and when he refused to turn them over, they usually got hysterical—right on the spot. Eventually he had to call on the owner of the shop for



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his help, which wasn't any easy matter either, since the owner was in jail at the time (on another charge, incidentally). The Denver police had to let the man out long enough to tag every stored fur in his shop with its owner's name, so business could go on more as usual.

When a beauty shop slipped up on its tax payments recently, the tax department couldn't find any of the collectors willing to take over that job. The shop owner saved the day all around though when he came in and paid up.

Shortage

Du Pont itself has done just as much as anybody to spread the word around about how nylon is made of elementary things like "coal, air, and water"—which is why it comes as such a shock to have du Pont announce that its new Martinsville, Va., plant, which started nylon production this week, will reach capacity next summer "contingent upon the availability of raw materials." Are they trying to tell us we're going to run low on coal, air and water—too?

Drunken Brawl

Gentlemen interested in drinking—or driving—or both, ought to get in touch with the Kansas City police department immediately. The K. C. cops are interested in finding out once and for all just how dangerous a drunken driver is so on Nov. 18 and 19, they are planning to make a series of tests with about 50 men—some who rarely touch liquor, some who drink occasionally, and some who are habitual drinkers.

A road, complete with turns and markers will be set up in the American Royal Pavilion, and a group of safety engineers, physicians, judges, highway patrolmen, and police officers will be called in to act as judges. First the men making the tests will drive over the course sober. Then they'll have dinner—at the end of which each man will get two oz. of his favorite whisky. After 30 minutes each man will drive 200 ft. forward, keeping the left wheels of his car between a couple of lines 12 inches apart, then back up to the point where he started.

Half an hour after this everybody gets another drink—it's two oz. again. Then each man has to follow a figure-eight outlined by 16 poles, in three minutes.

After that, two-oz. shots of whisky and more driving tests come every 30 minutes—apparently until everybody passes out but the judges. The whole business sounds like a wonderful release for a lot of people who enjoy reckless driving. They can get drunk, and break all the traffic rules, and be sure they'll end up safe in their own beds at the end of it—all in the interest of safe driving.

THE TRADING POST

A Man and a Store

It has been said that the United States boasts only five cities that can fairly claim to have distinct personalities. One of them is San Francisco.

And in San Francisco the keen visitor is likely to run into a business house that surely can claim a distinct personality. It is The White House, famous department store and substantial monument to the man who made it an institution.

The name itself is typical of the enterprise. It is distinctive. It was inspired by the *Maison de Blanc* in Paris. But not because of any vulgar reaching out by a pioneer merchant seeking to adorn himself in the borrowed plumage of a foreign institution. For The White House came honestly by its Paris atmosphere.

It all began in 1854 when Davidson and Lane opened up a tiny store—to wit, 20 ft. by 40 ft.—in the new city then beginning to sprawl over the hills just inside the Golden Gate. That was the germ of The White House. And that makes it 87 years old, which is tolerably aged for a California institution—barring, of course, the missions.

No, I'll have to take that back. The little store was not the germ of The White House. It was but the soil that nourished the germ. For the true germ was an 18-year-old French lad who was hired by the partners, largely, I imagine, because he could speak French. In those days San Francisco was swarming with Frenchmen with gold in their jeans and a gleam in their eyes. And as Raphael Weill instructed the sign-painter how to letter on the store window, "Ici on parle français," he was impressing on that business, although he didn't know it, his personal seal and sign manual. It was Raphael Weill, the eager, ambitious, French youngster, who was destined to lead it to the heights, to battle for it in the depths, and to establish it, again triumphant, on an even higher ground.

Weill got his break when Lane decided to forsake the counter for the pan and took off for the diggings. He scraped together his slender resources and bought a stake in the business. By 1858 it was going places and ten years later it had arrived. From every quarter of the world the finest of merchandise—silks, muslins, embroideries, shawls—flowed over its counters and into the hands of San Franciscans, able and anxious to have the best.

By 1870, when the store moved into a new building—three-story brick, at that—Weill had become its moving spirit. That is when it became The White

House, reflecting even more clearly the personality behind it. And so, for more than thirty years it grew in stature and influence until in April, 1906, grim disaster stalked the streets and swept the hills of the stricken city. With many another San Francisco institution, The White House vanished into a bed of seething ashes.

But not for long. Within a week Weill had established temporary quarters and three months later he opened up for business on Van Ness Ave., outside the fire-swept area. And his first act, characteristic of the man, was to wire east for carloads of merchandise which he distributed to 5,000 homeless, needy women. And at this time, again characteristically, he wrote to a friend, "I love San Francisco and have faith in her destiny. I believe she will rise from this calamity a far greater and more splendid city than before."

Then, nearing 70, Raphael Weill set out to rebuild The White House. Soon the new store was opened up at its present location and during the lifetime of its builder, he saw it twice overflow into larger quarters. Raphael Weill died in 1920 at 84, but his spirit still dwells within its walls and helps to shape its policies. And so long as it does, I suspect there is small chance that The White House will lapse into any fatal rut. For Weill crowded his times.

Typical of this was his announcement of the opening of the first White House. He sent to a San Francisco newspaper copy for a full-page advertisement announcing the opening. The paper returned it with the comment, "What does he think we're running, a newspaper or a signboard?" He can have two columns—no more." But Weill stuck to his guns and placed the first full-page advertisement in retailing history.

Raphael Weill knew what it takes to build an institution. And what it takes to keep it going after its founder has laid down the builder's tools.

Easy Does It

C. O. Weiss of the Cascade Sprayer Co. in Seattle writes to offer orchids to the motorists of Wenatchee for their intelligent campaign for conservation.

Instead of lining the roads with warnings against throwing out lighted cigarettes and matches, the motorists carry on the rear windows of their cars the simple statement "WE USE OUR ASH-TRAYS." Mr. Weiss believes that this subtle and courteous reminder, pasted not only on the rear windows of cars, but also over the ashtrays within the cars, should make for progress in the fight against grass and forest fires. W.C.

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THE TREND

THE STOCKHOLDER—FORGOTTEN MAN

For years now, the American stockholder has been an outsider looking into the affairs of his corporation. He is the legal owner, but not the practical owner. As Berle and Means pointed out a decade ago in their classic book on the subject, "The Modern Corporation and Private Property," the stockholder has a bundle of legal rights, but the management actually runs the corporation according to its particular ideas of what is good for it. And what is good for the corporation, as such, does not always coincide with the interests of the stockholder.

- **Wartime clearly emphasizes** this anomalous position of the stockholder. Right now, the entire accent of our national economy is on defense production. Everything must be subordinated to the single aim of more planes, tanks, guns, etc. So managements of American corporations are forced to forget stockholders and concentrate on accelerating arms production. And if such production is interrupted, then the government steps in and the management goes out. Already there have been three instances of this—North American Aviation, Federal Shipbuilding, and only last week, Air Associates.

In each of these cases, labor disputes cut into the routine of production. But there is another example, not openly talked about, in which the government suggested a change in executive personnel of a large company because output was not as speedy as Army officials felt it could be. This was an instance, in which the government exercised a legal prerogative of stockholders—to change management.

Actually, of course, stockholders no longer possess the practical power to oust corporate officers. The stock of big corporations is too widely distributed for the easy organization of rebellion. Furthermore, the officers control the proxy-getting machinery and can use the corporation's funds to fight off a stockholder group. The result is that attempts to remove managements are rarely undertaken, and then usually in cases in which one powerful financial group tries to wrest control from the officers.

- **What has happened** is that the corporation has become institutionalized. It has an existence all its own—apart from the owners. It consists of management, workers, and machines. And the management is interested primarily in keeping the corporation a going concern—in keeping it running. In this regard, it is noteworthy that the major source of income of officers of leading American corporations almost invariably is the salary check, rather than dividends on their stockholdings. Therefore, their personal interest is best served by perpetuation of the corporation and of themselves in office, rather than through the payment of high dividends to themselves (and others) as stockholders.

Back in the 'twenties, managements were forced to pay much closer attention to profits and dividends than they do today. In those days corporations were constantly expanding and, therefore, they had to get new capital in the stock market. But nowadays, most big corporations are able to finance themselves out of accumulated earnings (BW—May 27 '39, p17). Furthermore, a new situation has arisen. As Business Week pointed out in its special report on "National Defense and the Future of Profits" (BW—Aug. 16 '41, p26), the current wave of defense plant building is being financed for the most part by the federal government, for—as the low estate of the stock market suggests (chart, page 13)—investors and speculators are not willing to invest heavily in common stocks.

- **Here is a curious anomaly**, indeed. The government replaces the stockholder in putting up money for plant expansion. The corporation operates the plant on a fee basis, or on lease—in either case, presumably, at a profit which inures to the stockholder. Thus, the stockholder leaves the risk to the government and gets paid for services rendered by the management.

When corporations thus no longer depend on stockholders or on the investment market to raise new money, managements can take a broad view of corporate problems and corporate purposes; their decisions need not be wedded to dividend rates which will please the market place. Such freedom makes it possible for management to take the view that a well-knit, satisfied body of workers is more important to the corporation than an extra dividend; that, in the interest of its community, it might be more important to spread work than to cut operating costs; that—even at great expense to the corporation—it might be well to convert peacetime plant to wartime output.

- **In the final analysis**, the management of the modern corporation is really a buffer between different economic, political, and social forces—between the worker, the public, the government, and the stockholder. And in trying to decide between conflicting claims of the various groups (whether or not to raise prices, whether or not to lay off workers, whether or not to make defense goods) the management has to consider what is best for the corporation, as such—what is likely to perpetuate the corporation, and incidentally, itself. In the process, the stockholder, though the legal owner, becomes only one of several interested parties. Nothing could more clearly emphasize this than the way in which the defense effort is subordinating the profit motive—the stockholder's interest—to the needs of the war machine.

The Editors of Business Week

Business Week • November 8, 1941

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